



REPUBLIC OF SINGAPORE

REPORT
OF THE
AUDITOR-GENERAL
FOR THE FINANCIAL YEAR
2013/14



**AUDITOR-GENERAL'S OFFICE
SINGAPORE**

1 July 2014

Dr Tony Tan Keng Yam
President
Republic of 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 2013/14.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Willie Tan'.

Tan Yoke Meng Willie
Auditor-General

REPORT
OF THE
AUDITOR-GENERAL
FOR THE FINANCIAL YEAR
2013/14



Auditor-General's Office
Singapore

MISSION

To audit and report to the President and Parliament on the proper accounting and use of public resources to enhance public accountability.

CONTENTS

Page

OVERVIEW	1
PART I A: AUDIT OF GOVERNMENT FINANCIAL STATEMENTS	9
PART I B: AUDIT OF GOVERNMENT MINISTRIES, ORGANS OF STATE AND GOVERNMENT FUNDS	10
MINISTRY OF DEFENCE	
Lapses in the Licensing of Land	11
Lapses in Administration and Maintenance of Land	13
MINISTRY OF EDUCATION	
Control Weaknesses in Processing of Housing Allowance Payments	14
Late or Non-recovery of Salaries and Related Costs of Seconded Staff	15
Lapses in Tender Evaluation and Contract Management	16
MINISTRY OF FOREIGN AFFAIRS	
Contracts Made Outside Singapore Not Signed by Authorised Signatories	18
MINISTRY OF HEALTH	
Financial Assistance Not Ceased for Deceased Persons	19
MINISTRY OF HOME AFFAIRS	
Singapore Civil Defence Force	
Lapses in Controls over Financial Commitments and Payments	19
Misuse of Funds Stored in Cash Cards	20
Prior Approval Not Sought for Changes in Procurement Requirements ...	21

	<i>Page</i>
PART II : AUDIT OF STATUTORY BOARDS	23
 MINISTRY OF COMMUNICATIONS AND INFORMATION	
Media Development Authority	
Lapses in Administration of Grants	25
Lapses in Evaluation of Projects for Funding	27
National Library Board	
Lapses in Procurement of Library Materials	27
 MINISTRY OF CULTURE, COMMUNITY AND YOUTH	
National Heritage Board	
Irregularities in Management of Variation Works	29
 MINISTRY OF EDUCATION	
Singapore Examinations and Assessment Board	
Lapses in Appointment and Monitoring of Former Staff Engaged for Projects	31
 MINISTRY OF FINANCE	
Inland Revenue Authority of Singapore	
Lapses in Administration of Goods and Services Tax Refunds under Tourist Refund Scheme	33
Singapore Totalisator Board	
Gaps in Controls over Administration of Social Enterprise Hub Programme	34

MINISTRY OF HEALTH**Health Sciences Authority**

Lax Control over Approval of Applications for Import of Medicinal Products	36
Weak Controls over Seized Items	37
Contracts Awarded to Incumbent Contractors that Did Not Meet Tender Requirements	39

MINISTRY OF MANPOWER**Central Provident Fund Board**

Lapses in Managing Waiver of Competition, Purchases and Approval of Ad Hoc Works	41
Wrong CPF Contributions for Employees Performing Operationally Ready National Service	43
Lapses in Monitoring and Following Up of Erroneous Medisave Claims	44
Incomplete Data for Assessing Eligibility for Workfare Income Supplement Benefits	45

MINISTRY OF NATIONAL DEVELOPMENT**Agri-Food and Veterinary Authority**

Under-utilisation of Land, Buildings and Facilities	46
Assets Under-utilised or Left Unused	48
Weaknesses in Evaluation of Research Projects	49

National Parks Board

Creating and Backdating of Documents Furnished for Audit	50
--	----

MINISTRY OF SOCIAL AND FAMILY DEVELOPMENT

National Council of Social Service

Irregularities at Various Stages of Procurement 51

**MINISTRY OF THE ENVIRONMENT AND
WATER RESOURCES**

National Environment Agency

Inadequate Follow-up on Possible Breaches of Tenancy Conditions 54

MINISTRY OF TRADE AND INDUSTRY

Standards, Productivity and Innovation Board

Lapses in Procurement of Services to Administer an Award 56

**PART III : AUDIT OF GOVERNMENT-OWNED COMPANIES
AND OTHER ACCOUNTS..... 57**

ANNEXES

Annex I : AGO's Audit Authority 59

Annex II : Criteria for Appointment of Auditors 64

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 2013/14.

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

Audit Authority

AGO's authority to audit and report comes from the following laws:

- Constitution of the Republic of Singapore (1999 Revised Edition);
- Audit Act (Cap. 17, 1999 Revised Edition);
- Financial Procedure Act (Cap. 109, 2012 Revised Edition); and
- Enabling Acts of Government funds and statutory boards.

The details of AGO's audit authority are in Annex I.

In general, AGO carries out two types of audits, namely:

- **Financial statements audits** which involve the checking of accounts with the objective of giving an audit opinion on the annual financial statements prepared by the entity; and
- **Selective audits** which involve checking for financial irregularity and ascertaining whether there has been excess, extravagance, or gross inefficiency leading to waste, and whether measures to prevent them are in place.

Audits Carried Out for Financial Year 2013/14

For the financial year 2013/14, AGO audited the following:

- The Government Financial Statements (incorporating the accounts of all Government ministries and organs of state);
- 2 Government funds;
- 13 statutory boards;
- 5 Government-owned companies; and
- 2 other accounts.

As AGO's 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.

The *Report of the Auditor-General* covers selected audit observations. These are typically the more significant findings in terms of monetary value, frequency of occurrence and impact on accounting. Minor lapses are also reported if they point to significant or systemic weaknesses in internal controls which, if not addressed, could lead to serious consequences.

The irregularities and weaknesses reported do not necessarily reflect the general state of administration in the entities audited, but point to the areas where improvement should be made in the accounting, management and use of public funds and resources.

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

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

Audit Observations

In the past few years, AGO has reported many findings on procurement. Public sector entities are stepping up efforts to improve the procurement process and to strengthen staff training in procurement. To allow the public sector entities time to implement enhancements to their procurement systems, AGO has consciously shifted the emphasis for this year's audits to other areas. However, as procurement of goods and services entails a significant commitment of financial resources in the public sector every year, AGO would still audit procurements selectively and report the more significant lapses found.

In this year's audits, AGO observed instances of lapses in the administration of grants, schemes and programmes which raised concerns over whether public funds were used appropriately. AGO also found instances of weak management of resources resulting in wastage.

In this Overview, I would like to highlight the following areas where public sector entities could pay greater attention to and where improvements could be made:

- Administration of grants;
- Commitment of public funds;
- Administration of schemes and programmes;
- Management of land and assets; and
- Procurement.

Administration of Grants

Public sector entities administer a wide range of grants to achieve specific policy objectives. As public funds are expended for the grants, there should be proper controls on the evaluation, implementation and monitoring process to ensure that grants are used for the purposes intended and in the manner prescribed.

AGO's test checks revealed lapses in the administration of grants. A public sector entity was lax in monitoring the submission of project deliverables by grant recipients, which defeated the purpose of requiring recipients to meet specified milestones. The entity had also made full disbursement of grants before completion of the last milestone for certain projects. AGO's test checks, following a complaint on grants administered by the entity, also revealed lapses in the evaluation of projects for funding. There was no evidence that some of the projects approved for funding had met the criteria and hence, there could be doubts as to whether these projects should be funded. These observations reflect a lack of diligence in administering the various grants.

Commitment of Public Funds

When committing public funds for projects or to pay for products or services, public sector entities should ensure that the expenditure is justified.

AGO noted a few instances where commitment of public funds was not justified, resulting in wastage. An entity was found to have expended public funds on two projects to allow the entity's testing methods and facilities to be ISO (International Organization for Standardization) accredited only to discover subsequently that the accreditation was not necessary. The projects were terminated after significant proportions of the funds allocated were expended. This is an indication that proper evaluation might not have been carried out prior to commitment of funds and implementation of the projects.

In another instance, an entity had made full payment for a project even though the project deliverables were not fully met. Payments for work not done or deliverables not met are a waste of public funds.

Administration of Schemes and Programmes

Ministries and statutory boards implement a range of schemes and programmes to achieve public policy objectives. It is important that proper systems and procedures are in place to ensure that these schemes and programmes are implemented effectively.

AGO observed instances where there were inadequate procedures or controls over schemes and programmes, resulting in wrong payments. AGO's test checks revealed a number of duplicate payments of Goods and Services Tax (GST) refunds. Of these duplicate payments, some were made to persons who were not the original claimants. In another public sector entity, AGO observed that the entity had continued to pay financial assistance to persons after their passing due to errors in death data captured by its agent which administered the assistance programme.

AGO also noted instances of inadequacies and lapses in monitoring of and following up on possible breaches of conditions, which could have an impact on achievement of objectives of the schemes or programmes. A public sector entity did not take adequate follow-up actions on possible breaches of tenancy conditions imposed on stallholders who were paying subsidised rentals. In another entity, AGO observed inadequacies in the monitoring of and following up on erroneous Medisave claims submitted by medical institutions.

There was also an instance where a public sector entity had overly broad guidelines for determining the types of funding to be given under a programme. As a result, there was a risk that funds might not be used in accordance with the intended purpose.

Management of Land and Assets

Public sector entities may be assigned land for specific uses. As land is a valuable resource, these entities are expected to manage such land in accordance with the law and Government policy objectives. For proper management and regulation of land resources, it is important that all uses of land are properly covered by licence or lease agreements to protect the rights of the various parties, should any dispute arise.

In addition, public resources such as land, buildings and assets should as far as possible be put to good use to minimise wastage.

AGO noted from an audit that subsequent changes in land size and land use of an area licensed to a public sector entity were not updated in the licence agreement. Furthermore, contrary to Government policy, the entity had sublet part of the land to its contractor for many years at a nominal rent instead of charging fair market value, effectively providing a rental subsidy to the commercial entity.

AGO's audit also found indications of under-utilisation of land, buildings and facilities at two of the sites managed by a public sector entity. Some buildings were either vacant or only partially occupied for lengthy periods. Some facilities were used infrequently. Test checks of assets held by the entity also revealed a number of equipment and machinery that were rarely or not used for a number of years. There should be greater supervision over the management of assets to ensure that assets are purchased only when needed and assets no longer required are disposed of promptly to realise any salvage value.

Procurement

Public sector entities spend significant amounts from their budgets for purchases of goods and services. In order to ensure that public funds are spent prudently, the entities are expected to adhere to the principles of transparency, open and fair competition and value for money in their procurements.

AGO's audits revealed weaknesses and irregularities at various stages of procurement in a public sector entity. This entity had adopted significantly different procurement procedures from the Government procurement procedures which the entity was required to comply with. For example, the entity's procedures only required three quotes to be obtained when similar purchases would have to be made via open quotations under Government procurement procedures. AGO's test checks revealed instances of contracts awarded through waiver of competition without compelling reasons. There were also irregularities in sourcing for quotations, lapses in evaluation of quotations and payments without adequate evidence that the goods or services had been received.

As a result, there was no assurance that this entity had obtained value for money for its purchases. The failure to ensure open and fair competition could also subject the entity to allegations of unfairness and lack of transparency.

AGO's test checks of three projects undertaken by another entity revealed irregularities in the management of variation works. For all three projects, prior approvals were not sought for variation works carried out and for increase in project costs which exceeded the approved procurement values. For one project, instructions for most variation works were either not issued or issued to the contractors many months after the project was completed.

By failing to seek prior approvals, the entity had undermined the role of the approving authorities and bypassed controls to ensure that variations were justified before implementation. There was also the risk that the works carried out might not be in accordance with the entity's requirements.

Creating and Backdating Documents Furnished for Audit

In addition to the above observations, I would like to highlight my concern over a case where documents were created to satisfy audit queries.

The effectiveness of audits is dependent on public sector entities furnishing evidence that reflects truly the events or processes that had taken place.

For an audit carried out this year, AGO found indications that some of the documents furnished for audits were created and backdated to give the impression that they existed at the time when the relevant transactions took place.

An internal inquiry conducted by the supervising ministry of the audited entity confirmed that an officer had created and backdated letters, purportedly issued by the entity to its suppliers, to satisfy AGO's queries.

Creating and backdating documents to satisfy audit queries is a serious irregularity. AGO takes a serious view of such actions which hamper AGO in performing its statutory duties effectively and weaken the system of accountability. The supervising ministry informed AGO that it took a serious view of the irregularity and would be taking disciplinary action against the officer.

Acknowledgements

I would like to acknowledge the co-operation given to AGO by the 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 to their work.

TAN YOKE MENG WILLIE
Auditor-General
Singapore

1 July 2014

PART I

(A)

**AUDIT OF GOVERNMENT FINANCIAL
STATEMENTS**

(B)

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

PART 1A : AUDIT OF GOVERNMENT FINANCIAL STATEMENTS

1. The Financial Statements of the Government of Singapore for the financial year ended 31 March 2014 have been prepared by the Minister for Finance in accordance with Article 147(5) of the Constitution of the Republic of Singapore (1999 Revised Edition) and section 18 of the Financial Procedure Act (Cap. 109, 2012 Revised Edition).
2. The Auditor-General has completed the audit required under section 8(1) of the Audit Act (Cap. 17, 1999 Revised Edition) and has issued an unmodified audit opinion on the Financial Statements. In accordance with section 8(3) of the Audit Act, the Auditor-General submitted the audit report to the President on 30 June 2014.
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.
4. In accordance with section 8(3) of the Audit Act, the President would present to Parliament the audited Financial Statements with the audit report thereon.

Acknowledgements

5. 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. In this regard, AGO also takes into account complaints received on the use and management of public funds and resources. The authority for these audits is provided by section 5 of the Audit Act.

Government Funds

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

3. The Auditor-General audited the financial statements of the Workers' Fund¹ for the financial year 2013/14 as provided for under the Work Injury Compensation (Workers' Fund) Regulations (Cap. 354, Rg 2). An unmodified audit opinion was issued on the financial statements.

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

4. For Government funds whose financial statements are audited by commercial auditors, AGO carries out selective audits in rotation, at least once every five to seven years. A selective audit is an examination of selected activities and operations, carried out in relation to the accounts, to check for financial irregularity (not for the purpose of rendering an opinion on the financial statements), and to ascertain whether there has been excess, extravagance, or gross inefficiency leading to waste, and whether measures to prevent them are in place. In the financial year 2013/14, AGO carried out selective audit of the National Research Fund².

Acknowledgements

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

Selected Observations

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

MINISTRY OF DEFENCE

Lapses in the Licensing of Land

7. In 1971, the Ministry of Defence (MINDEF) entered into a licence agreement with the Public Utilities Board (PUB) to rent 109 hectares of land for its use at \$68 a year. MINDEF subsequently entered into a licence agreement in 1995 with its contractor, a company wholly-owned by the Government then, to sublet part of the land at \$45 a year for the contractor to use solely for the purpose of providing services to MINDEF.

² The National Research Fund was established under the National Research Fund Act (Cap. 201A).

A. Licence Agreement Not Updated to Reflect Changes in Land Size and Land Use

8. AGO noted that there were subsequent increases in land area used by MINDEF and changes in land use from that originally licensed to MINDEF. However, these changes were not incorporated in the licence agreement.

9. For proper management and regulation of land resources, it is important that all uses of land are properly covered by a licence agreement. This is to protect the rights of the various parties, including MINDEF, should any dispute arise.

10. AGO noted that prior to AGO's enquiries in September 2013, MINDEF had been in discussion with PUB since 1986 to regularise the licence agreement.

11. MINDEF informed AGO that it has since entered into a new agreement with PUB and has agreed on a revised annual rent of \$5.43 million for the use of a land area of 127 hectares, taking into account the nature of activities carried out on the land.

B. Land Sublet at Below Fair Market Value

12. AGO noted that MINDEF had continued to sublet part of the land to its contractor at a nominal rent of \$45 a year, even after the contractor was privatised in 2000 and had been using the land for commercial activities beyond the sole purpose of providing services to MINDEF. Contrary to Government policy, market rental for the use of the land for commercial activities was not charged and hence MINDEF was effectively providing a rental subsidy to the commercial entity.

13. MINDEF informed AGO that it has since entered into a new agreement with the contractor for the use of the land for commercial activities at an annual rent of \$0.83 million.

Lapses in Administration and Maintenance of Land

14. MINDEF licensed a piece of State land to the Sembawang Country Club (“Club”) in 1994 for use as a golf course. AGO found lapses in the licensing arrangement for the State land and poor maintenance of a part of the land.

A. Licensing Arrangement Not in Accordance with State Lands Rules

15. In 1994, MINDEF had issued a licence to the Club for the occupation of the land, renewable yearly with payment of an annual charge. AGO noted that the licence agreement did not specify an end date and it had been in force for the last 20 years. This was not in compliance with the State Lands Rules (Cap. 314, R1) which required that licence issued for State land should not exceed three years.

16. MINDEF informed AGO that it would work with the Singapore Land Authority to regularise the licensing arrangement.

B. Unauthorised Letting of State Land by the Club

17. A wooded area landlocked within the golf course was not licensed to the Club. However, AGO noted that the Club had wrongly sublet an area of 6,842 square metres within the wooded area to a contractor. This was tantamount to unauthorised letting of State land.

18. MINDEF informed AGO that it took a serious view of this issue. It had informed the Club to look into the matter and put in measures to prevent recurrence of such incidents.

C. Dumping on State Land

19. The Club was required under its licensing agreement to maintain the wooded area even though it was not licensed to the Club. However, AGO noted that discarded vehicles and heavy machinery and waste arising from construction works on the golf course were dumped in that area.

20. MINDEF informed AGO that the discarded items and waste have since been removed. MINDEF had informed the Club to implement measures to prevent dumping by contractors.

MINISTRY OF EDUCATION

Control Weaknesses in Processing of Housing Allowance Payments

21. The Ministry of Education paid a total of \$2.16 million in housing allowances to its officers for the period April 2012 to December 2013. AGO noted control weaknesses in the Ministry's processing of such allowances which could lead to errors in payments.

22. AGO's test checks of payments to 13 officers revealed overpayments (totalling \$42,800) to an officer over a period of more than five years from August 2008 to August 2013. The overpayments arose because the Ministry's agent had updated the wrong housing allowance rate into the human resource management system and there were no checks to detect such errors.

23. AGO also noted from its test checks that the Ministry had earlier rectified wrong payments to four other officers; three of the wrong payments were discovered only after the officers concerned alerted the Ministry (in October 2008 and September 2012) of the possible errors. However, at the time of audit in August 2013, there was no evidence that control procedures had been strengthened to avoid recurrence of such errors. There was no periodic check to ascertain and monitor changes in staff particulars such as marital status and age of dependants, which would affect the officers' eligibility for housing allowances and the rates payable to them. There was also no evidence of checks carried out to ensure that such changes were promptly and correctly updated in the system.

24. The Ministry informed AGO that it has since recovered the overpayment of \$42,800, reviewed the procedures, and instituted mechanisms to monitor changes in eligibility and to ensure prompt updating of changes into the system. It would also put in place additional checks such as annual verifications on payments made to detect discrepancies or wrong payments.

Late or Non-recovery of Salaries and Related Costs of Seconded Staff

25. AGO's test checks in February 2014 of 10 cases of staff secondments from the Ministry to external organisations (Borrowing Agencies) revealed two cases of non-recovery of salaries and related costs of the seconded officers, and one case of late recovery:

- a. In one case, the Ministry had yet to recover from the Borrowing Agency (a statutory board) the \$9,127 paid to the seconded officer in November 2012, which was 15 months prior to February 2014 (time of audit).
- b. In another case, the Ministry had yet to recover from the Borrowing Agency (a company) payments to the seconded officer from March to December 2013 (totalling \$112,600) since the secondment commenced on 4 March 2013, which was 11 months prior to February 2014 (time of audit).
- c. For the late recovery case, the Ministry invoiced the Borrowing Agency (a voluntary welfare organisation) in February 2014 for the six-monthly payments made to the seconded officer from July to December 2013 (totalling \$71,600). This was one to six months later than the Ministry's usual practice of invoicing Borrowing Agencies for payments made in the preceding month.

26. AGO further noted that in the case of the officer seconded to a company, the Ministry had yet to establish a secondment agreement with the company and issue a secondment letter to the seconded officer as at February 2014, even though the two-year secondment had commenced 11 months earlier (on 4 March 2013).

27. Long delays in recovery of salaries and related costs may result in difficulties in recovering such amounts from the Borrowing Agencies. Furthermore, to safeguard the Ministry's interest and ensure that all parties involved (the Ministry, Borrowing Agency and the seconded officer) have a common understanding of the secondment terms and conditions, secondment agreements should be established with the Borrowing Agencies and secondment letters issued to the seconded officers before the secondment commences.

28. The Ministry informed AGO that it has since rectified the above lapses and tightened its processes to prevent a recurrence of such lapses. Officers involved in processing secondment cases have also been reminded to use the relevant checklist so as to ensure that established procedures are followed.

Lapses in Tender Evaluation and Contract Management

29. AGO's test checks of procurement by the Ministry revealed lapses in tender evaluation and contract management.

A. Provision of Services for Overseas Educational Learning Journeys

30. AGO found that there were inadequate procedures in place to ensure that schools were correctly charged the handling fees stipulated in the framework agreement³ entered into with the travel agents.

31. The Ministry appointed panels of travel agents, through an open tender, under a framework agreement to provide travel-related services to schools for their overseas educational trips. The travel agents were selected based on, among other factors, the handling fees which they proposed. The appointed travel agents were required to charge the handling fees as stipulated in the framework agreement. The total handling fees payable under this framework agreement was estimated to be \$4.86 million.

32. When schools needed such travel services, they were required to tap on the framework agreement by requesting the appointed travel agents to submit quotes for the services to be provided. AGO noted that the Ministry provided schools with a price quotation template, which required the travel agents to provide a price breakdown and indicate the handling fees to be charged. However, it was not mandatory for schools to use this template. There were no other instructions from the Ministry to schools and the appointed travel agents regarding the need to state in their quotes the handling fees to be charged.

³ Framework agreement is a procurement approach adopted where some element of interactive quotation between the government procuring agency and the awarded vendors is necessary. Framework agreements are useful for purchases within a broad scope, where it is not feasible or advantageous to determine the individual goods or services upfront. What can be varied and what is fixed are clearly defined in the framework agreement. For this particular framework agreement, items such as destinations, trip itineraries and corresponding fees and charges would vary while the handling fees were fixed.

33. AGO's test checks of 47 quotations invited by four schools revealed that for all 47 quotations, the schools did not use the standard price quotation template and did not require the agents to show in their quotes the handling fees to be charged. For 36 of these cases, the schools did not know the amount of handling fees charged by and paid to the travel agents. This was because the agents' quotes neither indicated the handling fees to be charged nor confirmed that the handling fees stipulated in the framework agreement would be charged, and their invoices also did not show the handling fees charged as a separate item.

34. There was thus no assurance that schools were correctly charged the handling fees stipulated in the framework agreement and that the Ministry and schools would reap the full benefits intended by the framework agreement.

35. The Ministry informed AGO that the schools have since been reminded to use the standard template and to ensure that the handling fees should comply with those stipulated in the framework agreement. The travel agents on the panels have also been reminded to do so. In addition, the Ministry has updated the template to further highlight that handling fees are to be stated separately. Moving forward, the Ministry is undertaking a fundamental review of the framework agreement.

B. Provision of Venue, Logistics, Refreshment and Event Management Services for Mass Lecture

36. Arising from a complaint, AGO carried out test checks on procurement by the Academy of Singapore Teachers (AST) and found that the evaluation of tender for provision of services for a mass lecture was not properly carried out. The evaluation committee recommended awarding the tender to the second lowest bidder mainly because its proposal was the lowest which met tender specifications. There was, however, inadequate evidence to substantiate this justification. AGO noted, among others, that the bidder's tender proposal did not explicitly state that it had secured an event venue which was a requirement under the tender specifications. The tender evaluation was also not based on a like-for-like comparison as the tender prices offered by the various bidders which were used for comparison were not for the same items.

37. AGO also found that the successful vendor subsequently failed to meet the contractual requirement of securing the venue on its own and required AST's help to secure the venue. AST did not evaluate and establish the actions to be taken against the vendor for this failure. To ensure that the Government's interest is safeguarded, it is important that vendors are held accountable for failing to meet contractual obligations.

38. The Ministry informed AGO that it would continue to strengthen procurement competencies by sending officers for procurement training and holding regular briefings to provide updates on common audit findings.

MINISTRY OF FOREIGN AFFAIRS

Contracts Made Outside Singapore Not Signed by Authorised Signatories

39. AGO's test checks revealed that the Ministry of Foreign Affairs' officers stationed overseas had not been properly authorised to sign contracts made outside Singapore under the Government Contracts Act (Cap. 118). The authorisations given for these officers were only for contracts made in Singapore.

40. It is important to ensure that Government contracts are signed only by persons properly authorised under the law in the first instance to avoid the need for subsequent ratification.

41. The Ministry explained that the Ministry of Finance (MOF) had gazetted the list of officers under the section of the Government Contracts Act that applied to contracts made in Singapore. The Ministry informed AGO that it has since been working with MOF to ratify the affected contracts and has obtained proper authorisation for designated officers to sign contracts made outside Singapore.

MINISTRY OF HEALTH

Financial Assistance Not Ceased for Deceased Persons

42. AGO test-checked payments under the Interim Disability Assistance Programme for the Elderly (IDAPE⁴) between January 2011 and October 2013 and found that the Ministry of Health had continued to pay financial assistance to 99 persons for 2 to 32 months after their passing. The total amount paid to the deceased persons' accounts, through an agent engaged by the Ministry to administer the scheme, was \$64,000.

43. The Ministry informed AGO that the mistake in payment was caused by errors in death data captured by its agent and the errors have since been rectified in December 2013. It has also sought full reimbursement of overpayment from its agent.

MINISTRY OF HOME AFFAIRS

SINGAPORE CIVIL DEFENCE FORCE

Lapses in Controls over Financial Commitments and Payments

44. AGO's test checks of 46 payments at the Singapore Civil Defence Force (SCDF) revealed lapses in financial control and instances where officers had approved purchases and contracts or certified invoices when they did not have the authority to do so. The specific lapses are described below:

- a. SCDF approved two payments in March 2012 amounting to \$217,100 for the maintenance of two IT systems before services were fully performed.

⁴ IDAPE is a Government scheme that provides financial help to needy Singapore citizens who suffer from severe disability and cannot be insured under ElderShield because of their age or pre-existing disabilities.

- b. Three officers were given access rights to approve contracts in the Government Electronic Business (GeBIZ) system even though they were not authorised under the Government Contracts Act (GCA) (Cap. 118) to sign contracts on behalf of the Government. Two of the officers had approved four contracts with values ranging from \$370 to \$68,500.
- c. There were nine instances where the Certifying Officers (COs) had certified invoices with values ranging from \$54,608 to \$312,000, which exceeded their authorised financial limits. One invoice of \$43,200 was certified by an officer who was not appointed as a CO.

45. Making payments before services are fully performed is not in the Government's interest and contravenes the Financial Regulations (Cap. 109, Rg 1) which require payments to be made upon satisfactory receipt of goods and services. Allowing an officer to approve contracts or to certify payments when he has no authority to do so increases the risk of committing the Government to inappropriate or unauthorised expenditure and payments.

46. SCDF informed AGO that it has counselled the officers who had certified invoices beyond their authorised financial limits and those who approved payments before services were fully performed. SCDF would ensure that only officers authorised under the GCA are granted access to GeBIZ to approve contracts. SCDF has since incorporated the financial limits in the CO warrants for reference by the COs before they certify the invoices. Henceforth, SCDF would ensure that payments are made after goods and services have been fully delivered according to the terms of the contract.

Misuse of Funds Stored in Cash Cards

47. SCDF issues cash cards for use in its investigation vehicles to pay for Electronic Road Pricing (ERP) and car park charges for official trips.

48. AGO test-checked 78 transactions and found 62 instances (amounting to \$167) where the cash cards were used to pay for car park charges that were not incurred for official trips. This is a misuse of funds.

49. AGO also noted 19 instances where cash card statements used to support expenses incurred did not reflect all transactions which had taken place. As supporting details for certain transactions were missing, it was not possible to verify whether the expenses incurred were for official trips.

50. SCDF informed AGO that due to operational requirements, officers have to drive the investigation vehicles wherever they go, including at meal times. This was to ensure that they could respond to emergencies in a prompt manner. These officers had used the cash cards for car park charges incurred during meal times and for personal errands. SCDF had recovered \$3,700 from the officers involved and these officers have been counselled. SCDF has since ceased the issuance of official cash cards.

Prior Approval Not Sought for Changes in Procurement Requirements

51. On 20 May 2011, the Commissioner of SCDF approved the purchase of Civil Defence equipment for \$1.05 million. AGO noted that approval was not sought from the Commissioner for subsequent changes to the requirements, prior to procurement.

52. The differences between the list of equipment approved by the Commissioner on 20 May 2011 and those procured by SCDF were as follows:

- a. Five items were purchased beyond what was approved by the Commissioner, of which four items were not in the list of equipment approved and one item was in excess of the quantity approved (totalling \$190,300); and
- b. Five items in the list of equipment approved were shelved and three items were deferred (estimated cost totalling \$470,500).

53. Payments for the items purchased were made between 8 February and 3 April 2012, and covering approval from the Commissioner for the changes in requirements was sought only on 23 April 2012.

54. Failure to seek approval for revised requirements before procurement increases the risk of committing SCDF to purchases which might not be required, resulting in a waste of public funds.

55. SCDF informed AGO that the purchases made were due to operational urgency and approvals from officers of Director or Unit Commander levels were obtained before the purchases were made. These purchases were to replace equipment which had broken down during operations and had to be replaced promptly to ensure operational readiness and response. SCDF agreed with the findings and would ensure that relevant approval is obtained for changes in requirements before procurement is made.

PART II

AUDIT OF STATUTORY BOARDS

PART II : AUDIT OF STATUTORY BOARDS

Financial Statements Audits

1. In accordance with section 4(1)(a) of the Audit Act (Cap. 17, 1999 Revised Edition), AGO audits statutory boards whose Acts provide for the Auditor-General to audit their accounts.

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 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. AGO audited the financial statements of the following three statutory boards for the financial year 2013/14:

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

Unmodified audit opinions were issued on the financial statements of these statutory boards.

Selective Audits

4. For statutory boards whose financial statements are audited by commercial auditors, AGO carries out selective audits in rotation, at least once every five to seven years. 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.

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. The authority for selective audits of statutory boards is provided for under a Ministry of Finance circular (first issued in 1972 and revised in 2011), read with section 4(4) of the Audit Act.

6. In the financial year 2013/14, AGO carried out selective audits of the following 10 statutory boards:

- a. Agri-Food and Veterinary Authority
- b. Central Provident Fund Board
- c. Civil Aviation Authority of Singapore
- d. Health Sciences Authority
- e. Info-communications Development Authority of Singapore
- f. National Heritage Board
- g. National Library Board
- h. Singapore Examinations and Assessment Board
- i. Singapore Totalisator Board
- j. Standards, Productivity and Innovation Board

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

Acknowledgements

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

Selected Observations

9. Selected observations arising from the audits of statutory boards are summarised in the paragraphs that follow.

MINISTRY OF COMMUNICATIONS AND INFORMATION

MEDIA DEVELOPMENT AUTHORITY

Lapses in Administration of Grants

10. The Media Development Authority (MDA) implemented several new grant schemes in September 2011 to meet the needs of the media industry at various stages of its projects, such as idea development, contents production and gaining access to international markets. As at 31 March 2014, approximately \$41.14 million in grants had been disbursed under the new schemes.

11. AGO's test checks of selected schemes revealed lapses in recording of project information, monitoring of project deliverables, disbursement of grants and recovery of excess grants.

A. System Inadequate to Ensure Proper Recording of Project Information

12. MDA officers responsible for receiving and pre-screening applications for funding were not required to record the applications that they had rejected and the reasons for rejection. There was also no requirement for independent checks on rejected cases. These weaknesses increased the risk of unfairness as an officer could unilaterally reject an application without valid reasons, and there would be no documentation trail to detect such cases.

13. There were inadequate checks and controls over updating of key information in the Funding Template used to track project funding and status of approved projects. For example, there was no independent check to ensure that project information had been recorded correctly and completely in the Template. There was also no proper access control to prevent unauthorised officers from accessing and updating the Template. The weaknesses increased the risk of errors. AGO's test checks of 28 projects revealed errors in the information recorded for nine projects. These errors pertained to information on project start dates, approved funding amounts, amounts claimed to-date, number of milestones for the project and number of milestones that had been achieved.

B. Lapses in Monitoring of Project Deliverables, Disbursement of Grants and Recovery of Excess Grants

14. Of the 28 projects checked, the deliverables for five projects were not submitted to MDA even though the deadlines had passed by 1 to 12 months; the deliverables for two other projects were submitted 2 to 6 months after the deadlines. There was no evidence that MDA had taken prompt actions to follow up on these cases, which defeated the purpose of requiring grant recipients to meet the milestone deadlines.

15. For three (out of six) projects checked, the approved funding amounts were fully disbursed before the completion of the last milestones, contrary to MDA's standard operating procedures. In doing so, MDA no longer had the option of withholding the last disbursements should the grant recipients fail to complete the final milestones.

16. For 23 (out of 159) projects checked, excess grants (ranging from 10.0 to 74.0 per cent of the grants disbursed for the respective projects) totalling \$39,500 were not recovered.

17. MDA informed AGO that it has since implemented a number of changes to tighten controls over the management and approval of grants. These included updating relevant guidelines as well as instituting measures to exercise closer reviews of project progress and to facilitate recovery of excess grants. MDA also indicated that a grant management system to strengthen internal controls and governance would be launched by December 2014.

Lapses in Evaluation of Projects for Funding

18. Arising from a complaint, AGO carried out test checks on schemes administered by the Singapore Film Commission of MDA to fund local production of films and found the following lapses in the evaluation of projects:

- a. For seven projects (out of eight checked) with total approved funding of \$1.63 million under the New Feature Film Fund scheme, there was no evidence that these projects met the requirement of securing the majority of the assessment panellists' recommendations for funding.
- b. For four projects (out of eight checked) with total approved funding of \$900,000 under the New Talent Feature Grant scheme, the proposals received were not evaluated against all the criteria stated in the guidelines issued to applicants. Only some of the criteria were used. Hence, there could be doubts as to whether these projects deserved the funding. This could also subject MDA to allegations of unfairness and lack of transparency.
- c. For another project under the New Talent Feature Grant scheme, the application was ineligible yet it was shortlisted for evaluation, and was eventually recommended and approved for funding of \$250,000.

19. MDA informed AGO that it has since improved its processes for project evaluation and documentation.

NATIONAL LIBRARY BOARD

Lapses in Procurement of Library Materials

20. NLB appointed suppliers via open tenders between 2011 and 2012 to its panels of vendors to supply library materials, at a total approved procurement value of \$182.09 million. NLB implemented a computerised system in 2012 for the selection and acquisition of library materials from its panels of vendors with minimal human intervention.

21. AGO's checks on the methods for selection and acquisition of library materials used in the computerised system revealed logic flaws and inadequacies as described below.

A. Unfair Scoring Method in Computerised System

22. AGO found logic flaws in the scoring methods for price and delivery lead time in the computerised system, which had resulted in inconsistent and unfair award of purchases to vendors.

23. Based on test checks, AGO observed that due to the logic flaws, NLB awarded 61 purchases to a vendor which quoted higher prices (by 0.2 to 16.3 per cent) and longer delivery lead time (by 9 to 19 days) than another vendor which quoted for the same items. As a result, NLB paid more to purchase the library materials while accepting a longer delivery lead time from the awarded vendors.

24. NLB informed AGO that it would revise its scoring methods for both price and delivery lead time in the system with effect from the end of financial year 2014/15.

B. Purchase of Library Materials Worth \$3.76 Million Without Competition

25. NLB purchased library materials worth \$3.76 million from December 2012 to October 2013 directly from the only vendor which recommended the title in the computerised system at the point of purchase, without providing opportunities for other vendors in the panel to quote for the same title. By doing so, there was no assurance of value for money.

26. AGO observed that NLB's computerised system would make direct award for purchase of a library material to the only vendor in the panel which recommended the title and met all contractual requirements at the point of purchase. AGO's test checks revealed that 249 titles purchased via direct awards from December 2012 to October 2013 were subsequently offered by at least one other vendor within 1 to 14 days from the date of last award, at a lower price compared to the original award price. The prices subsequently offered were 5.0 to 39.3 per cent lower for 248 titles and 70.5 per cent for the remaining title. Had NLB purchased the 249 titles from the vendors which subsequently quoted a lower price, NLB could have saved \$6,000.

27. AGO's concern is not so much on the amount of savings for these 249 titles per se; rather, by design, the system does not enable NLB to get the best price for such purchases. Over time, the amount of savings could be significant.

28. NLB informed AGO that it would enhance the system to allow vendors to view the titles and authors of the publications that had been recommended by other vendors, and allow a 14-day window period for vendors to participate for the same title. It targeted to implement the enhancement by the end of financial year 2014/15.

MINISTRY OF CULTURE, COMMUNITY AND YOUTH

NATIONAL HERITAGE BOARD

Irregularities in Management of Variation Works

29. AGO's test checks of three projects undertaken by the National Heritage Board (NHB) revealed irregularities in the management of variation works. One project was the organisation of the Singapore Biennale 2011 with an approved procurement value of \$0.51 million. The other two projects were the redevelopment of the Malay Heritage Centre (MHC) and the Sun Yat Sen Nanyang Memorial Hall (SYS) with a total approved procurement value of \$8.32 million. The irregularities are described below.

A. Variation Works Carried Out and Project Costs Exceeded Without Prior Approvals

30. AGO noted that prior approvals were not sought for all three projects for:

- a. Variation works totalling \$1.70 million; and
- b. Increase in project costs which exceeded the approved procurement values by \$0.20 million to \$0.89 million (3.9 to 173.1 per cent).

31. By failing to seek prior approvals, NHB had undermined the role of the approving authorities and bypassed controls to ensure that variations and costs in excess of approved procurement values were properly justified before implementation.

B. No Proper Instructions Issued to Contractors for Variations

32. AGO found that for the SYS project, instructions for 95.9 per cent of the variation works (valued at \$0.38 million) were either not issued or issued to the contractors more than 15 months after the project was completed. For Singapore Biennale 2011, the agreement for variation works (valued at \$0.94 million) was only executed three months after the completion of the works.

33. The above were contrary to the contract requirements and Government procurement rules. In addition, there could be risks that the works carried out might not be in accordance with NHB's requirements. Should any dispute arise, NHB's interests would not be safeguarded.

C. No Assurance of Validity and Price Reasonableness of Variations

34. For Singapore Biennale 2011, AGO found that there was no detailed breakdown of the contractor's claim for variation works amounting to \$0.94 million. There was also no documentation of the sources used for pricing the items of variation works done. Thus, the validity of the payment could not be ascertained. Furthermore, there was no evidence that NHB had independently assessed the prices for reasonableness.

35. For the SYS project, only one supplier was asked to quote for part of the variation works, which amounted to \$58,000. There was no evidence that NHB had assessed the reasonableness of the single bid received. Hence, there was no assurance that the prices charged were competitive and reasonable.

36. The irregularities observed for the MHC and SYS projects were in part due to NHB's failure to exercise adequate oversight over the external project consultants engaged to manage the projects. As the owner of the projects, NHB was ultimately responsible for ensuring that the projects were executed in accordance with its requirements and that public funds were used prudently.

37. NHB explained that it faced tight deadlines for all three projects. For Singapore Biennale 2011, there was no flexibility to postpone the event as it had been extensively publicised. For the SYS project, the target completion date was brought forward by three weeks at a late stage in the project. AGO is of the view that the need to meet tight deadlines is not a good reason for not complying with procedures intended to ensure the prudent use of public funds. Potential constraints or problems caused by tight deadlines should have been surfaced to the relevant authorities so that they could be properly addressed.

38. NHB has informed AGO that it would ensure that projects are properly managed in future. In addition, NHB has centralised the management of development projects and established a Development Committee to oversee all major new projects.

MINISTRY OF EDUCATION

SINGAPORE EXAMINATIONS AND ASSESSMENT BOARD

Lapses in Appointment and Monitoring of Former Staff Engaged for Projects

39. AGO noted that the Singapore Examinations and Assessment Board (SEAB) had paid two education professionals, who were its former staff, better service packages than those provided for under its framework without proper justifications. SEAB was also lax in monitoring the work performed by one such education professional, resulting in payments for work not performed.

40. SEAB has a framework for engaging the services of education professionals for projects. The framework sets out the approved rates of payment for different categories of education professionals, taking into account the years of relevant experience of the persons to be engaged.

A. Better Service Packages Than Those Provided for under Framework

41. AGO's test checks revealed that the contracted rates for two education professionals, who were SEAB's former staff, were higher than the relevant approved rates based on their experience as provided for under the framework. In one case, the contracted rate was higher than the approved rate by about 50 per cent. In addition, one of the former staff was reimbursed for transport and airfare when these were not provided for under the framework. There was no documentation of the justifications to pay the two former staff better service packages than those provided for under the framework.

B. Laxity in Monitoring of Work

42. AGO noted that SEAB had been lax in monitoring the work of one of the earlier-mentioned former staff. AGO's test checks of monthly project status reports submitted to SEAB revealed that there was no progress for some deliverables of a project for periods ranging from 4 to 12 months. In spite of indications from the project status reports that the project deliverables had not been fully met, SEAB made full payment to the former staff. In fact, AGO noted that the former staff had explained to SEAB, after payment was made, that he had not performed any work on one of the deliverables. Payments for work not done or deliverables not met are a waste of public funds.

43. For proper controls and to minimise the risk of SEAB being subject to allegations of favouritism towards certain individuals, justifications for deviations from approved rates and inclusion of payments not covered under the framework should be properly documented. Projects should also be properly monitored to ensure that payments are made for deliverables met.

44. SEAB informed AGO that it was in the process of reviewing and putting in place controls to ensure that the engagement of education professionals is in compliance with the framework. SEAB has since strengthened the monitoring process to ensure that services are satisfactorily rendered before payments are made.

MINISTRY OF FINANCE

INLAND REVENUE AUTHORITY OF SINGAPORE

Lapses in Administration of Goods and Services Tax Refunds under Tourist Refund Scheme

45. The Inland Revenue Authority of Singapore (IRAS) administers the refund of Goods and Services Tax (GST) on behalf of the Government, to eligible tourists under the Tourist Refund Scheme (TRS). The operation and maintenance of the computerised system used to administer the TRS is outsourced to a vendor. In the financial year 2012/13, IRAS refunded \$205.65 million under the TRS.

A. Refunds to Ineligible Persons

46. AGO's test checks of GST refund claims by 3,600 claimants during the period 18 May 2011 to 7 January 2013 revealed that 266 refunds (amounting to \$35,300) had been made to 11 claimants who were not eligible for the refunds as they were not tourists.

47. IRAS informed AGO that it would take action against the persons who had wrongfully claimed GST refunds and carry out additional checks in future to detect such ineligible claims.

B. Duplicate Refunds of GST

48. AGO's test checks of GST refund claims on purchases made at 13 retailers over the same period revealed 29 instances of duplicate payments of GST refunds (amounting to \$4,400). These duplicate refunds pertained to purchases made at 5 of the 13 retailers. Of these 29 duplicate refunds, 21 were made to persons who were not the original claimants. According to IRAS, the duplicate refunds had occurred because retailers did not have adequate controls to prevent issuance of multiple GST refund tickets for the same transaction. As GST refund tickets are used for claiming GST refunds, they should be adequately controlled.

49. IRAS indicated that it has informed retailers to institute proper controls for the issuance of GST refund tickets, failing which their participation in the TRS would be discontinued. It would also carry out regular checks to detect and follow up on duplicate refunds.

C. Inadequate Controls over Test Transactions

50. AGO also noted that IRAS did not have a system to monitor and control test transactions entered into the computer system by its vendor. This resulted in an unauthorised payment (\$6.54) that went through the system undetected during a testing of the payment process. As test transactions with large amounts could similarly go through the system without being detected, it is important to put in place controls over such transactions to prevent any unauthorised transaction.

51. IRAS informed AGO that it has reviewed the test transactions in the system to ensure that these transactions had not resulted in any other unauthorised refunds and has tightened controls over such test transactions.

SINGAPORE TOTALISATOR BOARD

Gaps in Controls over Administration of Social Enterprise Hub Programme

52. AGO found some gaps in controls over the administration of the Social Enterprise Hub programme, which may not give the Singapore Totalisator Board (Tote Board) adequate assurance that funds disbursed were properly accounted for and used in accordance with Tote Board's intended purpose.

53. In 2010, Tote Board approved a budget of \$8.00 million to set up an Incubation Fund under the Social Enterprise Hub programme which was administered by a company limited by guarantee. The Incubation Fund was for investing in social enterprises in the form of equity or loan. As at August 2013, Tote Board had approved four requests (totalling \$1.69 million) put up by the company for fund disbursements under the Incubation Fund.

54. Some of the gaps in controls revealed through AGO's test checks of Tote Board's disbursements to the company are presented below.

A. Inadequate Guidelines on Investments

55. The investment guidelines approved by Tote Board were too broad to be effective in guiding the company in its evaluation of investment proposals. In particular, the investment guidelines did not set out the criteria for determining the type of investments (equity or loan) to be made and the terms and conditions for loans. AGO also noted from its test checks of three investment proposals (totalling \$0.69 million) that the company had not documented the basis for its recommendations on (i) the type of investments; and (ii) the terms and conditions in cases where loans were provided.

56. The overly broad guidelines and lack of proper documentation increased the risk of funds not being properly used and could lead to allegations of discriminatory practices or bias towards particular social enterprises.

57. Tote Board informed AGO that going forward, the company would put in place a set of guidelines on the circumstances under which the type of investments (equity or loan) would apply and put up proper justifications in its investment proposals to support the recommended type of investments.

B. Audit Requirements Inadequate to Provide Assurance on Proper Accounting and Use of Funds

58. The audit requirements stipulated by Tote Board on the company for the funding of the Social Enterprise Hub programme were inadequate. As a result, the audit would not provide Tote Board with the assurance that moneys in the Incubation Fund were properly accounted for and used by the company in accordance with the approved terms and conditions.

59. Tote Board informed AGO that the company would work with its auditor to revise the audit requirements, so as to provide Tote Board with the appropriate audit assurance starting from the financial year 2013/14.

MINISTRY OF HEALTH

HEALTH SCIENCES AUTHORITY

Lax Control over Approval of Applications for Import of Medicinal Products

60. AGO found that the Health Sciences Authority (HSA)'s controls over the approval of applications for import of medicinal products were lax. For import of medicinal products, the approval of HSA has to be obtained via a trade declaration system before the Singapore Customs would issue a permit to the importer.

61. AGO noted that in processing import applications, individual HSA officers were given the discretion to select applications for checking based on their experience and past encounters, before granting approval. Only 10.0 to 15.0 per cent of the applications were verified against HSA's registers of medicinal products and licence records to confirm that legal and other requirements, such as product and importer licensing requirements, were met. There was also no independent review on the applications approved by these officers.

62. AGO's test checks of 1,479 import applications approved between September and November 2013 revealed that 386 applications (26.1 per cent of applications checked) did not have the requisite product or importer licences, or contained errors. AGO noted that of these 386 approved applications:

- a. 5 applications were for import of medicinal products that were not licensed at the time of application;
- b. 15 applications were for import of products where the licences had expired or been cancelled; and
- c. 78 applications did not contain valid importer licences for the products.

63. It is important for HSA to exercise due diligence in its approval of applications to ensure that the importer has the valid product and importer licences for the medicinal products and that the products meet legal and other HSA's requirements. The percentage of non-compliant applications and errors noted by AGO in its test checks indicated that there was a need to tighten the checks and controls.

64. HSA informed AGO that the trade declaration system, being a self-declaration system, was not intended to serve as a regulatory control tool to ensure the safety, efficacy and quality of medicinal products for sales and distribution in Singapore. Nevertheless, it would be enhancing the system to automate the processing of applications and the validation of authenticity of information declared in the applications for import of medicinal products.

Weak Controls over Seized Items

65. AGO observed weak controls over HSA's storage of medicinal products and items seized during enforcement actions, as described below.

A. Inadequate Segregation of Duties

66. AGO noted that the three store officers in charge of maintaining HSA's two stores were also performing investigation duties. The dual roles of these officers could reduce the effectiveness of HSA's controls over the seized items.

67. Under HSA's procedures, officers performing investigations would be responsible for packing, labelling and updating the details of seized items into the computerised store records when checking in the seized items. By also performing the role of store officers, they would have access to both the stores as well as seized items and be able to amend store records.

68. To avoid a situation where the officers could remove items and amend the records without authorisation, investigation officers should not double as store officers as there would be less assurance that any lapse or deliberate unauthorised tampering would be detected. In this regard, HSA should enhance its procedures to ensure better control and accountability.

69. HSA informed AGO that it would review its procedures to ensure proper segregation of duties for the store officers.

B. Ineffective Dual Access Controls

70. AGO found that HSA's dual access controls of physical door lock and electronic card access to the stores were ineffective in preventing unauthorised removal of seized items from the stores. Two of the three store officers and a regulatory consultant were each given both the door key and access card. As a result, these officers could access the stores and remove items without the knowledge of a second person. This defeated the objective of implementing dual access controls to the stores. Procedures for dual access should be properly implemented, such that officers who have custody of the door key should not be granted card access to the stores.

71. HSA informed AGO that it would review its procedures to ensure proper dual access controls for the stores.

C. Weak Controls over Packing, Labelling and Recording of Seized Items

72. AGO's checks on the two stores in September 2013 revealed instances of non-compliance with HSA's standard operating procedures on packing, labelling, storing and recording of the seized items as follows:

- a. 85 items recorded in the store records could not be located for AGO's checks and 4 seized items kept in the stores were not updated in the store records;
- b. Seized items for 91 investigation cases were not labelled or incorrectly labelled; and
- c. 9 seized items scheduled for destruction in 2009 (7 items) and 2012 (2 items) were still not disposed of as at September 2013.

73. There is no assurance that all seized items which could be needed as evidence in prosecution were properly accounted for and safeguarded from tampering, pilferage or loss.

74. HSA informed AGO that it had put in place measures in phases since 2012 to improve the recording and storage of seized items. It had also implemented mandatory inventory checks since April 2013. However, AGO noted that seized items for 28 (30.8 per cent) of the 91 investigation cases highlighted were checked into the stores after 1 April 2013 (which was after the implementation of the new measures). Thus, there is a need for HSA to ensure that its officers comply with the enhanced measures.

Contracts Awarded to Incumbent Contractors that Did Not Meet Tender Requirements

75. AGO's test checks of 31 tenders awarded by HSA between February 2012 and October 2013 found that five incumbent contractors were awarded contracts even though their tender proposals did not fully meet the tender requirements. There were also irregularities in the evaluation of the tenders. HSA did not uphold the Government procurement principles of transparency, open and fair competition and value for money for these five tenders. The irregularities could result in HSA being seen as biased towards certain contractors.

76. The irregularities noted by AGO for the five tenders are as follows:

- a. For two tenders relating to blood processing and warehousing services (total contract value of \$16.30 million), the incumbent contractors had proposed modifications to conditions and specifications stated in the tender documents. HSA negotiated with the tenderers on some of the modifications although negotiations were not allowed for these open tenders. HSA eventually accepted most of the modifications and the proposals even though such proposals did not fully meet the tender requirements. Making modifications to original tender conditions and specifications without calling a fresh tender would not avail HSA to other vendors which might be able to meet the revised tender specifications and offer better value for money.
- b. For another two tenders relating to maintenance services (total contract value of \$1.83 million), the tender proposals submitted by the incumbent contractors were not complete and did not include all pricing information required in the tender documents.

- c. For the fifth tender relating to provision of screening test kits for infections (contract value of \$7.51 million), in addition to accepting an incomplete tender proposal from its incumbent contractor, HSA had carried out its tender evaluation based on criteria not stated in the tender documents and only on the options which the incumbent contractor had submitted bids.
- d. In all the five tenders, the respective tender approving authorities were incorrectly informed that the proposals had complied with all tender requirements although this was not so. As a result, the approving authorities had approved the awards based on inaccurate and incomplete information.

77. HSA explained that for the first two tenders, no negotiations were carried out. However, AGO found records of correspondence and discussions between HSA and the successful tenderers, which resulted in modifications to the terms stated in the tender documents. This indicated that negotiations were indeed carried out.

78. For the fifth tender, HSA explained that it had adopted a two-stage evaluation process and had eliminated the other tenderers during the first stage for not meeting certain certification requirements. It explained that it could have been clearer in its documentation of the evaluation carried out. However, AGO noted that the successful tenderer had also submitted an incomplete proposal which did not include pricing for all options. This observation, together with other evidence found in the course of the audit, showed that the evaluation of tender proposals was not carried out in a fair and transparent manner. HSA should not dismiss the lapse as a matter of poor documentation.

MINISTRY OF MANPOWER

CENTRAL PROVIDENT FUND BOARD

Lapses in Managing Waiver of Competition, Purchases and Approval of Ad Hoc Works

79. AGO's test checks revealed lapses in the Central Provident Fund Board (CPFBoard)'s procurement as described below.

A. Weak Grounds for Waiving Competition

80. AGO test-checked 59 purchases that were made without competition and found 32 purchases (totalling \$604,000) where the reasons given for waiving competition were not compelling. These reasons included saving time and effort in procurement, preference for a particular supplier and the supplier being the incumbent or past supplier assessed to be able to provide the required items. Such reasons did not warrant waiver of competition as other suppliers might be able to meet the requirements and offer better value for money. It is also important to ensure that Government procurement principles of transparency as well as open and fair competition are upheld.

B. Splitting of Purchases

81. There were 40 small value purchases (totalling \$77,900) and 18 quotations (totalling \$591,300) which appeared to have been split from 15 higher value purchases.

82. For each of the 15 cases, the split purchases were for renovation works which could be provided by a single supplier. In addition, for each case, the services were requested on the same day or within a very short period, which indicated that CPFBoard would have known upfront that similar services were needed.

83. The splitting of purchases had resulted in CPFBoard bypassing the stricter controls imposed on higher value purchases, such as the more stringent processes for quotations and tenders, and higher approving authority for awards.

84. CPFBoard informed AGO that it would explore the option of establishing a period contract or framework agreement for renovation works.

C. Approval Obtained after Works Done

85. For ad hoc repairs (totalling \$84,200) carried out from January 2012 to May 2013, the approval to invite a sole supplier to quote and the approval for award of contracts were obtained (6 days to 4.5 months and 27 days to 5.5 months respectively) after the works had been completed.

86. For these cases, the role of the approving authority, which was to ensure that competition was waived only under exceptional circumstances and that contracts were awarded to suppliers which gave the best offers, was undermined.

87. CPFEB informed AGO that it would ensure that approvals are sought before ad hoc repairs are carried out.

D. Procuring Outside Established Demand Aggregation Contracts Without Proper Justification

88. Public sector agencies could tap on demand aggregation contracts to purchase certain common goods and services. Under Government procurement rules, agencies are required to highlight to the approving authorities the existence of any relevant demand aggregation contracts and provide justifications if such contracts are not used.

89. AGO's test checks of 61 purchases revealed 47 purchases (totalling \$46,100) in which CPFEB did not use the applicable demand aggregation contracts. There was no evidence that checks were performed and evaluation was carried out to ascertain whether it would be more advantageous to buy outside of demand aggregation contracts. There was also no evidence that justifications for not using demand aggregation contracts were put up to the approving authorities.

90. CPFEB informed AGO that its staff has since been reminded to comply with the requirement of checking for demand aggregation contracts and improvements have been made to facilitate such checks.

Wrong CPF Contributions for Employees Performing Operationally Ready National Service

91. Under the Enlistment Act (Cap. 93, 2001 Revised Edition), when an employee is away from work performing Operationally Ready National Service (NS), the employer is required to continue paying Central Provident Fund (CPF) contributions based on the employee's usual civilian remuneration, as though the employee has not been away from work.

92. AGO noted that the system of checks to detect wrong payment of CPF contributions by employers for employees performing NS was inadequate. Although CPFEB carried out audits on wage records to ensure that CPF contributions paid by employers were correct, such audits relied solely on the wage records submitted by the employers. There was no independent verification of the completeness and accuracy of these wage records.

93. In this regard, AGO noted that an employer had notified CPFEB in May 2013 that it had underpaid \$816,000 in CPF contributions over a period of 10 years for employees who performed NS. The underpayment arose because the CPF contributions were made based on the wage records that omitted a component of pay. Although CPFEB had audited the wage records of this employer in February 2012, due to the inadequacy of the audit as described in the paragraph above, it did not detect the underpayments. As at January 2014, eight months after CPFEB was notified of the underpayment, it had not taken any action to put in place the necessary systems and checks to detect such errors.

94. In addition to the case mentioned above, AGO's test checks revealed possible instances of non-payment or underpayment of CPF contributions, which were then referred to CPFEB for follow-up.

95. It is important that systems and checks are put in place to detect wrong payment. Otherwise, the non-payment or underpayment of CPF contributions could remain undetected for a long period of time, resulting in significant shortfalls in contributions (and hence loss) for employees who performed NS.

96. CPF B informed AGO that it would improve its methodology for auditing wage records to take into account relevant NSmen's records. It has also completed its investigation of the possible wrong payment cases and ascertained that there were 24 instances of underpayment and four instances of non-payment. It has fully recovered these wrong payments from the employers.

Lapses in Monitoring and Following Up of Erroneous Medisave Claims

97. AGO's test checks revealed lapses in CPF B's monitoring and following up of erroneous claims submitted by medical institutions.

98. Medical institutions would submit Medisave claims on behalf of claimants to CPF B for expenses incurred for medical treatments, hospitalisation and surgeries. The claims would then be processed and paid from the claimants' Medisave accounts, subject to applicable withdrawal limits. Medical auditors, which are engaged to audit such claims, would issue audit reports on erroneous claims to the medical institutions for them to rectify the errors. CPF B would then monitor and follow up with the medical institutions (including sending reminders) on the erroneous claims.

99. AGO observed that:

- a. For 13 of the 60 audit reports checked, all or some of the erroneous claims in each of these reports were not recorded in the tracking file used by CPF B for its follow-up actions with the medical institutions. In total, 35 erroneous claims (of 99 in these reports) amounting to \$48,100 over-claims and \$350 under-claim were not recorded.
- b. Of the 410 long outstanding erroneous claims test-checked, no reminders were sent for 79 over-claims (totalling \$101,500) which had been outstanding for two years or longer. Reminders for another 97 over-claims (totalling \$127,600) were sent late, more than one month after the stipulated deadline given to medical institutions to rectify the errors.

- c. When medical institutions failed to rectify erroneous claims despite CPFIB's reminders, CPFIB did not take action to recover the over-claims from medical institutions, even though the Deed it entered into with the medical institutions provided for recoveries of such claims. As at 9 December 2013, there were 220 over-claims (totalling \$204,000) that remained outstanding, despite last reminders sent a year or more ago.

100. It is important for CPFIB to properly monitor and take prompt follow-up actions on erroneous claims. Otherwise, it defeats the purpose of carrying out medical audits of the claims and the erroneous Medisave claims might also not be recovered.

101. CPFIB informed AGO that it was working to recover the over-claims by medical institutions. It has also formalised the procedure for such erroneous cases and would ensure compliance with the procedure when following up with medical institutions. In addition, CPFIB is looking into measures to help medical institutions submit correct claims.

Incomplete Data for Assessing Eligibility for Workfare Income Supplement Benefits

102. AGO observed that CPFIB had not received complete data of certain groups of workers for determining their eligibility for Workfare Income Supplement (WIS) benefits. As a result, some of the eligible workers might not have been given the benefits for 2013.

103. The WIS Scheme was introduced in February 2007. The objectives of the Scheme are to supplement the wages and retirement savings of older low-wage workers as well as to encourage them to stay employed. CPFIB administers the Scheme on behalf of the Ministry of Manpower. Enhancements were made to the Scheme over the years. With the latest enhancement in 2013, each eligible worker would receive WIS benefits of up to \$3,500 a year depending on his age and average monthly wage. In the 2013 enhancement, the eligibility criteria were also revised and included, among other things, a new criterion requiring the consideration of the property and income of the spouse if the worker is married.

104. In order to assess and pay eligible workers the WIS benefits, CPF B obtained data from various government agencies. AGO noted that due to incomplete data provided by several agencies, CPF B did not have a complete set of divorce records required for assessing workers' eligibility for WIS. As a result, there would be workers who were divorced yet reflected as married in CPF B's records and deemed ineligible for 2013 WIS benefits due to consideration of the property and income of the ex-spouse. The omission of this group of eligible workers for payment of WIS would continue as long as the data remains incomplete.

105. There is a need for all the relevant agencies to work together to ensure availability of complete data so that workers can be properly assessed on their eligibility for WIS benefits.

106. CPF B explained that affected workers could still receive WIS benefits if they come forward to clarify with CPF B their marital status. CPF B agreed that it is important to have complete data for payment of WIS benefits and informed AGO that the various government agencies were working to ensure that complete data are provided to CPF B for WIS payments.

MINISTRY OF NATIONAL DEVELOPMENT

AGRI-FOOD AND VETERINARY AUTHORITY

Under-utilisation of Land, Buildings and Facilities

107. The Agri-Food and Veterinary Authority (AVA) operates a number of laboratories and other facilities at various sites in Singapore. AGO's audit of AVA's management of two sites (Sembawang and Lim Chu Kang) found indications of under-utilisation of land, buildings and facilities.

108. Under-utilisation of land and buildings is tantamount to a waste of public resources. AVA should carry out a thorough review of its space requirements for the two sites so that land and buildings no longer required by AVA could be put to better use. In addition, it should see how it could optimise the use of its buildings and facilities.

A. Under-utilised Land and Buildings at Sembawang Site

109. AVA had leased 143,967 square metres (m²) of land with existing buildings at Sembawang since its establishment in 2000. It renewed the lease for another three years in 2012 at an annual rental of \$1.15 million and spent \$417,300 (in the financial year 2012/13) to maintain the land and buildings.

110. AGO found that of the 41 buildings at the site, 15 buildings were left vacant for periods between 2 and 14 years. Another three buildings were partially occupied for periods between 8 and 11 years. The vacant areas in these 18 buildings formed 28.4 per cent of the gross floor area of all the 41 buildings. AGO also noted that 112,294 m² or 78.0 per cent of the site was vacant land.

111. AGO also observed during its site visit that some of the vacant buildings were poorly maintained. For example, there were termites in one building and condemned furniture and other discarded items in other buildings, which could pose pest and fire hazard problems.

112. AVA explained that the Sembawang site was used for developing and testing farming technology and given the nature of such work, not all the facilities would be used at any one time. It informed AGO that it has initiated a review of the usage of the land and buildings and would work with Singapore Land Authority (SLA) on the possibility of returning parts of the unused areas to SLA. It has also taken action to improve the maintenance and housekeeping of the buildings.

B. Under-utilised Buildings and Facilities at Lim Chu Kang Site

113. AVA had leased 46,230 m² of land at Lim Chu Kang in April 2000 for 30 years at a cost of \$15.89 million and constructed two specialised centres at a cost of \$41.71 million. AVA also leased another 5,423 m² of land at an annual rental of \$572,760 (based on latest lease renewed in 2012) for a third centre.

114. AGO observed that parts of the space on one floor (313 m²) of a building in one centre and on two floors (974 m² in total) of a building in another centre were left vacant for more than 10 years since 2003.

115. AGO also found that of the five laboratories in a third centre, four laboratories (with total area of 1,714 m² or 75.4 per cent of gross floor area) were used only for 7 to 12 days per month during the six-year period from January 2008 to November 2013. In addition, an auditorium at this centre was used for only an average of 29 days a year for the same six-year period. As there are two other auditoriums in AVA's other two centres within 200 metres distance, it would be more economical for similar facilities to be shared.

116. AVA explained that it has plans to retrofit part of the vacant space in one centre for use on a new project and other vacant spaces would be used as future office areas. Regarding the under-utilised laboratories in the third centre, AVA explained that the research activities and usage of the laboratories had declined due to reduction in research funding. AVA would proactively expand its research collaborations with other organisations to better utilise the facilities and review how resources and similar facilities may be shared.

Assets Under-utilised or Left Unused

117. AGO's test checks of assets held by AVA revealed assets under-utilised or left unused:

- a. A tractor and a trailer, purchased in 2005 at a total cost of \$31,200, were used only once or twice a month, or for an average of less than an hour per month during the period checked (January 2012 to December 2013).
- b. A bead filter (for a water filtration system), purchased in 2012 at a cost of \$21,000, was left unused for one and a half years (as at November 2013), although the expenditure was justified on grounds that the filter was urgently needed for replacement of a faulty unit.
- c. A marine vessel purchased in 2002 at a cost of \$98,000 and refurbished in 2011 at a cost of \$477,000, was used on average about twice a month during the period checked (January 2013 to April 2014).
- d. At an AVA site, there were 263 assets, mainly research equipment and machinery (some purchased in the 1970s and 1980s), the majority of which had not been used in recent years.

- e. At another site, there were many assets, comprising laboratory tools, furniture and equipment, which had not been used for at least three years.

118. Under-utilisation of assets is tantamount to a waste of public resources. There should be greater supervision over the management of assets to ensure that assets are purchased only when needed and assets no longer required are disposed of promptly to realise any salvage value.

119. AVA informed AGO that it has since taken action to condemn the tractor and trailer, which were no longer needed, and installed the bead filter in another water filtration system. AVA also explained that the 263 assets were not actively used in recent years following the reduction of research activities and it would be reviewing the need for these research equipment and machinery. In addition, AVA had since condemned 104 unused assets at another site in October 2013.

Weaknesses in Evaluation of Research Projects

120. Between 2010 and 2013, AVA spent about \$20.27 million on 88 research projects. AGO test-checked 11 projects and found that AVA's evaluation of proposed projects could be improved.

121. AGO noted that AVA did not require expected outputs of the projects to be stated in project proposals. Of the projects test-checked, only two proposals had included the expected outputs. In addition, all the 11 project proposals did not include a risk assessment, even though such an assessment was required under AVA's standard operating procedures.

122. AGO observed that two of the projects were initiated to allow AVA's post harvest testing methods and facilities to be ISO (International Organization for Standardization) accredited. AVA had terminated the two projects when it found that accreditation was not necessary. By then, 77.2 per cent and 94.8 per cent of the funds allocated (totalling \$152,800) for these projects had been spent. This is an indication that proper evaluation might not have been carried out prior to approval of the projects as the need for accreditation should have been assessed at the point of evaluation.

123. To ensure prudent use of public funds, AVA should ensure that the needs, expected outputs and risk assessment for each research project are included in the project proposal for evaluation.

124. AVA informed AGO that it has initiated a review of its standard format for the preparation of project proposals and would ensure that project needs and outputs are properly evaluated.

NATIONAL PARKS BOARD

Creating and Backdating of Documents Furnished for Audit

125. The project for the development of the Gardens by the Bay was undertaken by the National Parks Board (NParks).

126. During the audit of the project, AGO observed indications that certain documents furnished by NParks upon AGO's request could have been created and backdated to give the impression that they existed at the time when the relevant transactions took place.

127. Creating and backdating documents to satisfy audit queries is a serious irregularity. It also casts doubts on the authenticity of other documents and information provided to AGO. AGO therefore recommended that NParks conduct an immediate investigation into the matter.

128. In view of the seriousness of the matter, the Ministry of National Development (MND), NParks' supervising ministry, carried out an internal inquiry. MND confirmed that an officer had created and backdated a total of 16 letters, purportedly issued by NParks to its suppliers, to satisfy AGO's queries. The officer also arranged with the suppliers to issue another 11 backdated letters, out of which five were created by the officer on behalf of the suppliers.

129. MND concluded in its inquiry that there was no evidence to suggest that the integrity of the system of contract variations and payments had been compromised for the contracts handled by the officer. The officer told MND that he had committed the acts to regularise gaps in the documentation of communications with the suppliers for completeness of record.

130. AGO noted that the officer was fully aware that the documents were for audit purposes. His actions, if not discovered, would have misled AGO into concluding that the procurement processes were in order. Therefore, AGO takes a serious view of such actions and does not see these as merely acts to regularise gaps in documentation.

131. MND informed AGO that it takes a serious view of the irregularity and would be taking appropriate disciplinary action against the officer.

MINISTRY OF SOCIAL AND FAMILY DEVELOPMENT

NATIONAL COUNCIL OF SOCIAL SERVICE

Irregularities at Various Stages of Procurement

132. AGO's test checks revealed weaknesses and irregularities in the National Council of Social Service (NCSS) procurement, as elaborated below.

A. Internal Procedures Not in Line with Government Procurement Procedures

133. AGO found significant differences between NCSS internal procedures and the Government procurement procedures which NCSS was required to comply with. For example, Government procurement procedures require open quotations called via the Government Electronic Business portal to be the default sourcing method for all purchases above \$3,000 and up to \$70,000. NCSS procedures, however, only required three quotes to be obtained manually for such purchases.

134. Although NCSS implemented a set of improved procedures in April 2013, AGO noted that there were still gaps in the revised procedures. For example, NCSS procedures did not prohibit the same officer from being both the payment approving authority and the quotation approving authority. NCSS procedures were also lacking in requirements for ensuring proper negotiations, such as having ample representation during the negotiations and keeping proper records of the negotiation meetings.

B. Non-compelling Reasons for Limiting Competition

135. AGO's test checks of 45 purchases made directly from the vendors or where only one or a few selected vendors were invited to bid revealed that for 32 purchases (71.1 per cent) totalling \$1.72 million, the reasons given for not procuring through open competition were not compelling. These reasons included:

- a. The suppliers were the incumbent or past suppliers which were highly experienced, had proven records, or had offered reasonable or competitive prices;
- b. NCSS procedures required only three quotes to be obtained; and
- c. Staff had overlooked the requirement to obtain more than one quote.

136. Such reasons do not warrant waiving or limiting competition as there may be other suppliers which are able to meet NCSS requirements and offer better value for money.

137. AGO also found that for 15 of these 32 cases, the suppliers were awarded the contracts without competition for three or more consecutive years, and for one case, for 20 years.

C. Irregularities in Sourcing for Quotations

138. AGO's test checks of 19 cases where quotes were sourced manually revealed irregularities in sourcing for 13 cases (totalling \$395,300), which could render the procurement process susceptible to fraud and manipulation. For example, there were eight cases where no documentation was kept on what was conveyed to the invited suppliers. Hence, it was not known whether all the suppliers were given the same specifications for them to quote. There was another case where NCSS requested a potential supplier to obtain quotes from two other suppliers and eventually awarded the quotation to this supplier. This supplier could manipulate the quotes to its favour and NCSS might not have obtained a truly competitive quote.

D. Lapses in Evaluation of Quotations

139. AGO's test checks revealed lapses in the evaluation of three quotations (totalling \$152,800). For example, quotes received were not evaluated based on like-for-like comparison and some quotes which met critical evaluation criteria were omitted from evaluation. As a result, there was no assurance that the quotes were evaluated in a fair and transparent manner, and those recommended and selected for award were the ones most advantageous to the Government.

E. No Proper Segregation of Duties

140. From test checks, AGO observed four cases (totalling \$431,000) where the committees which had evaluated the quotations also approved the award of quotations. Test checks also revealed 10 contracts (totalling \$453,500) where the committees or officers who approved the quotation awards were also the ones who approved the payments. Without proper segregation of duties, there would not be adequate checks and balances to avoid or minimise risks of mistakes and manipulation.

F. Payments Made Without Adequate Evidence of Goods or Services Received

141. AGO's test checks revealed four payments (totalling \$362,100) where there were neither supporting documents, such as delivery orders or service reports, to show that the goods or services have been received, nor certification by the Goods or Service Receipt Officer to confirm that goods or services had been received and were in order. Without such supporting documents or certification, there was no assurance that the goods or services have been duly received or rendered before payment. For one of these payments (amounting to \$123,600), nearly four months after the audit, NCSS surfaced a document to AGO bearing an undated certification that works were carried out satisfactorily.

G. Lapses in Quotation for Provision of Entertainment and Event Organising Services for Charity Event

142. Arising from a complaint, AGO carried out test checks on a quotation for provision of entertainment and event organising services for a charity event which was awarded at \$31,000 through waiver of competition. AGO found the following lapses which could subject NCSS to allegations of unfairness and lack of transparency:

- a. NCSS' justifications for inviting a single vendor to quote were weak and there was no evidence to show that the invited vendor was the only company which was able to provide the services required.
- b. NCSS started receiving services from the vendor six months before obtaining the approval to award the quotation to the vendor. This could be an indication that the choice of vendor had been pre-determined.
- c. There was no evidence that a member of the event's organising committee, who had a vested interest in this purchase, had abstained from involvement in decisions on the choice of vendor. In fact, one of the justifications used by NCSS for waiving competition was that the member had recommended this vendor.

143. NCSS informed AGO that since April 2013, it has taken steps to tighten its internal controls and put in place a sound governance framework for its procurement. This included the mandatory use of the Government Electronic Business portal as the default sourcing mode, and the establishment of the Central Procurement Unit to review procurement transactions above \$3,000 for compliance with NCSS procurement procedures. On instances where Government procurement procedures cannot be fully complied with, NCSS would be seeking approval from the appropriate authority for deviations.

MINISTRY OF THE ENVIRONMENT AND WATER RESOURCES

NATIONAL ENVIRONMENT AGENCY

Inadequate Follow-up on Possible Breaches of Tenancy Conditions

144. The National Environment Agency (NEA) conducts inspections on stallholders to ensure that they comply with NEA's tenancy conditions for subsidised hawker stalls. Stallholders of subsidised stalls are required to attend to the stalls personally and are not allowed to sublet the stalls.

145. Following complaints received, AGO carried out test checks on NEA's inspection of subsidised hawker stalls and found inadequate follow-up by NEA with stallholders who might have breached tenancy conditions.

146. AGO noted from its test checks of NEA's inspection records for 1,016 subsidised stalls for the period January to March 2013 that for 235 (23.1 per cent) of the stalls, the stallholders were absent or the stalls were closed during NEA's consecutive inspections. AGO's review found the following inadequacies in NEA's checks and follow-up:

- a. NEA did not take adequate follow-up on 142 of the 235 stalls. In 23 of the 142 cases, the stalls had remained closed or the stallholders were absent during nine consecutive inspections by NEA.
- b. For the remaining 93 of the 235 stalls which NEA had issued letters to the stallholders asking for explanations, AGO observed that in 60 of the 93 cases, the stallholders continued to be absent during NEA's subsequent inspections. This is an indication that NEA's follow-up actions were ineffective.

147. AGO also found that NEA did not inspect eight subsidised stalls in one hawker centre for nine months, even though monthly inspections were required.

148. Continuous closure of stalls or absence of stallholders could be an indication that the stalls have been used for unauthorised purposes such as for storage or subletting to others. It is thus important for NEA to enhance its inspection regime to minimise any abuse of the subsidised hawker stall scheme.

149. NEA informed AGO that steps were being taken to review its procedures to ensure that proper follow-up actions would be taken. In addition, it would enhance its computerised system to track and monitor all follow-up actions.

MINISTRY OF TRADE AND INDUSTRY

STANDARDS, PRODUCTIVITY AND INNOVATION BOARD

Lapses in Procurement of Services to Administer an Award

150. AGO's review of a tender called by the Standards, Productivity and Innovation Board (SPRING) to procure services for administering an award (contract value of \$750,000) revealed lapses which showed that SPRING had breached Government procurement principles of transparency and value for money. Consequently, there was no assurance that the price charged by the vendor was fair and reasonable.

151. AGO noted that the vendor had already commenced work nine months before SPRING called a limited tender to invite the vendor to submit its bid. AGO also noted that:

- a. SPRING accepted the tender bid although the vendor had not submitted all the information required in the tender documents. The tender approving authority was also not informed that the proposal submitted was incomplete.
- b. SPRING did not include any assessment on the price quoted by the vendor in the tender evaluation report to the tender approving authority. The report only included a breakdown of the quoted price.

152. SPRING informed AGO that the vendor was a partner with SPRING and other agencies in organising the award and that, on hindsight, there should have been a clearer demarcation of work done by the vendor as a partner versus a service provider. SPRING acknowledged that it was an oversight that the tender approving authority was not informed of the incomplete proposal submitted. SPRING also informed AGO that price assessment was conducted and agreed that the price assessment should have been properly documented.

PART III

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

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

Government-owned Companies

1. The Auditor-General audited the financial statements of the following five Government-owned companies for the financial year 2013/14 under section 4(1)(b) of the Audit Act (Cap. 17, 1999 Revised Edition):

- a. GIC Asset Management Private Limited
- b. GIC Real Estate Private Limited
- c. GIC Special Investments Private Limited
- d. GIC Private Limited¹
- e. MND Holdings (Private) Limited

Unmodified audit opinions were issued on the financial statements of these companies.

Other Accounts

2. At the request of the President, the Auditor-General audited the accounts of the President's Challenge 2012 under section 4(1)(b) of the Audit Act.

3. The Auditor-General audited the ASEAN Cultural Fund (Singapore) accounts for the financial year 2013 as required under an ASEAN agreement.

4. Unmodified audit opinions were issued on the above accounts.

¹ GIC Private Limited was known as Government of Singapore Investment Corporation Private Limited before 23 July 2013.

Acknowledgements

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

ANNEXES

ANNEX I : AGO'S AUDIT AUTHORITY

Audit of Government Ministries, Organs of State and Government Funds

1. Under Article 148F(3) of the Constitution of the Republic of Singapore (1999 Revised Edition), it is the duty of the Auditor-General to audit and report on the accounts of all departments and offices of the Government, the Public Service Commission, the Legal Service Commission, the Supreme Court, the State Courts¹ and Parliament. Under Article 148F(4), he shall perform such other duties and exercise such other powers in relation to the accounts of the Government and accounts of other public authorities and other bodies administering public funds as may be prescribed by or under any written law.

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

3. Under section 3(1) of the Audit Act (Cap. 17, 1999 Revised Edition)², the Auditor-General shall carry out an audit and report on the accounts of all departments and offices of the Government (including the office of the Public Service Commission), the Supreme Court, the State Courts and Parliament. He shall perform such other duties and exercise such other powers in relation to the accounts of the Government and the accounts of other public authorities and other bodies administering public funds as may be prescribed by or under any written law as provided for under section 3(4) of the Audit Act³.

4. The Auditor-General is authorised under section 8(7) of the Audit Act⁴ to make recommendations and generally comment on all matters relating to public accounts, public moneys and public stores.

¹ The State Courts were known as the subordinate courts before 7 March 2014.

² Similar to Article 148F(3) of the Constitution.

³ Similar to Article 148F(4) of the Constitution.

⁴ Section 8(7) of the Audit Act states that “The Auditor-General may, in any report submitted in accordance with the provisions of this Act or otherwise, make recommendations and may generally comment upon all matters relating to public accounts, public moneys and public stores.”

Financial Statements Audit

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

6. Section 8(3) of the Audit Act states that “Subject to subsection (4), every report relating to the statement prepared in accordance with subsection (1) shall be submitted by the Auditor-General to the President who shall present the report and statement to Parliament within 30 days of their receipt by him, or if Parliament is not in session, within 14 days after the commencement of its next sitting.”⁵

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

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

⁵ Section 8(4) of the Audit Act states that “Nothing in subsection (3) shall require the presentation to Parliament of any report or statement containing any matter which the Prime Minister and the Minister responsible for defence, on the recommendations of the Permanent Secretary to the Ministry of Defence and the Chief of Defence Force, certify to be necessary for the defence and security of Singapore.”

8. Specifically, an audit under section 5(c) of the Audit Act would require checks to ensure compliance with, inter alia, provisions of the Financial Procedure Act including the Financial Regulations (Cap. 109, Rg 1). In assessing compliance with the Financial Regulations, AGO would check whether Government ministries and organs of state have in place precautions against, inter alia, negligence⁶ and measures to detect apparent extravagance⁷. In other words, AGO would also check whether there has been excess, extravagance or gross inefficiency leading to waste.

Audit of Statutory Boards

Financial Statements Audit

9. Under section 4(1)(a) of the Audit Act, the Auditor-General shall audit the accounts of any public authority⁸ if it is so provided for by any written law.

10. The Acts of most statutory boards provide for audits of their financial statements to be carried out either by the Auditor-General or another auditor appointed by the Minister responsible in consultation with the Auditor-General.

11. A standard provision in the Acts of statutory boards requires the auditor to state in his report:

- a. Whether the financial statements show fairly the financial transactions and the state of affairs of the Authority;
- b. Whether proper accounting and other records have been kept including records of all assets of the Authority whether purchased, donated or otherwise;

⁶ Regulation 3(e) of the Financial Regulations.

⁷ Regulation 3(f) of the Financial Regulations.

⁸ The definition of “public authority” includes statutory boards.

- c. Whether the receipts, expenditure and investment of moneys and the acquisition and disposal of assets by the Authority during the year have been in accordance with the Act; and
- d. Such other matters arising from the audit as he considers should be reported.

Selective Audit

12. 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 Act⁹.

13. The MOF 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.”

Audit of Other Entities

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

⁹ Section 4(4) of the Audit Act states that “Notwithstanding the provisions of any written law relating to the accounts and audit of any public authority, the Minister may, if he is satisfied that the public interest so requires, direct that the accounts of such authority shall be audited by the Auditor-General.”

Powers of Auditor-General

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

ANNEX II : CRITERIA FOR APPOINTMENT OF AUDITORS

1. The Acts of a number of public agencies (i.e. most statutory boards, all town councils and certain funds) require their accounts to be “audited by the Auditor-General or by an auditor appointed annually by the 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 auditing firm.

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 five criteria below:

- (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 been the auditor of the public agency for fewer than five years, or has had a break of at least two consecutive years since or during the period covering its last five appointments.

In addition, the proposed audit engagement partner has been the partner in charge of the public agency's audit for fewer than five years or has had a break of at least two consecutive years since or during the period covering his last five appointments as the engagement partner.

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 Committee¹ or adverse judgment by a Court. Criterion (v) provides for the rotation of auditors and audit engagement partners. 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.

¹ 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.

