



REPUBLIC OF SINGAPORE

**REPORT**

OF THE

**AUDITOR-GENERAL**

FOR THE FINANCIAL YEAR

**2023/24**



**AUDITOR-GENERAL'S OFFICE  
SINGAPORE**

2 July 2024

Mr Tharman Shanmugaratnam  
President  
Republic of Singapore

Dear Mr President

In accordance with the provisions of the Audit Act 1966, I am pleased to submit my Report on the audits carried out for the financial year 2023/24.

Yours sincerely

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

Goh Soon Poh  
Auditor-General

**REPORT**  
OF THE  
**AUDITOR-GENERAL**  
FOR THE FINANCIAL YEAR  
**2023/24**



**Auditor-General's Office**  
Singapore

## **MISSION**

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

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# OVERVIEW

## OVERVIEW

I am pleased to present my Report on the audits carried out by the Auditor-General's Office (AGO) for the financial year 2023/24.

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

### Audit Authority

The Auditor-General's authority to audit and report is provided for in legislation. The key legislation that governs AGO's work are the Constitution of the Republic of Singapore and the Audit Act 1966. The details of AGO's audit authority are in Annex I.

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

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

## **Audit Approach**

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

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

## **Reporting of Audit Observations**

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

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

This Report is submitted to the President who shall, in accordance with section 3(3) of the Audit Act 1966, present it to Parliament. The Public Accounts Committee deliberates on the Report and may call upon public sector entities to account for lapses, where it deems necessary.

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

## **Audits Carried Out for the Financial Year 2023/24**

AGO audited the following:

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

### *Financial Statements Audits*

For the financial year 2023/24, I have issued an unmodified audit opinion on the Government Financial Statements. I have also issued unmodified audit opinions on the financial statements of 3 statutory boards, 4 Government-owned companies and 2 other accounts.

### *Selective Audits*

AGO carried out selective audits of 5 statutory boards and 3 Government funds whose financial statements were not audited by AGO.

### *Thematic Audit*

AGO conducted a thematic audit on selected parenthood support measures managed by the Ministry of Social and Family Development (MSF) and the Early Childhood Development Agency (ECDA).

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

## Summary of Audit Observations

AGO's audit observations for the financial year 2023/24 have been conveyed to the public sector entities concerned through AGO Management Letters for their follow-up. The more significant audit observations are highlighted in this Report.

The key areas are as follows:

- Lapses in procurement and contract management
- Lapses in management of revenue and collections
- Lapses in management of grants
- Lapses in management of operations
- Possible irregularities in records furnished for audit
- Thematic audit on parenthood support measures

### ***(I) Lapses in Procurement and Contract Management***

AGO found lapses in procurement and contract management at some public sector entities including the National Parks Board (NParks), the Ministry of Education (MOE), the Building and Construction Authority (BCA) and the Sentosa Development Corporation (SDC).

For NParks, AGO's test checks found lapses in the valuations of and payments for 22 out of 60 works orders (WOs) issued under 2 term contracts. The lapses included: (i) payments made in full for works not done according to WOs; (ii) lapses in valuation of work done; and (iii) duplicate payments for works. The possible overpayment to the contractors due to the lapses was estimated to be \$1.93 million.

For MOE, AGO's test checks on 3 school construction contracts managed by consultants found lapses in contract management for all 3 contracts. The lapses included: (i) approvals obtained after variation works commenced; (ii) lapses in valuations of contract variations; and (iii) payments for works not carried out or not done in accordance with contractual requirements. The net possible overpayment to the contractors was estimated to be \$317,100. AGO also noted long delays in the finalisation of accounts for 20 construction contracts, ranging from 2 months to more than 3 years.

AGO found that BCA did not adequately monitor its appointed operator for Jurong Apartments to ensure that the operator had performed in accordance with contractual requirements before payments were made. The operator did not submit to BCA the required maintenance schedules and weekly reports on maintenance or improvement works, and did not conduct any quarterly safety and security inspections that were required under the contracts. AGO's site visit to 12 dwelling units in November 2023 found instances of poor maintenance for 6 of them. That was not in compliance with the contracts which required the operator, at its own cost, to be responsible for repairs and maintenance of the premises, including ensuring that facilities were kept in a good and tenable condition.

AGO noted lapses in the management of 2 vehicle maintenance contracts at SDC. Although the contractor did not perform or was late in performing some of the scheduled vehicle servicing jobs, SDC was not aware and did not take that into consideration when evaluating the contractor's monthly performance. AGO was informed by SDC that due to the design of the performance-based contracts, there was no mechanism for the monthly fee to be pro-rated nor for the omission of fees when specific works were not done. AGO noted that this meant that no deductions could be made for works not done. In that regard, SDC effectively paid for works that were not done. AGO also found tell-tale signs that the contractor had created servicing job sheets for works not performed. AGO takes a serious view of any creation of records to give a false impression that works had been performed at the material point in time. Such actions are unacceptable.

## ***(2) Lapses in Management of Revenue and Collections***

AGO found lapses in the management of revenue and collections at the Singapore Sports Council (also known as Sport Singapore [SportSG]) and Nanyang Polytechnic (NYP).

AGO noted that SportSG did not have adequate controls over admissions to ActiveSG pools and gyms. AGO's data analysis and test checks found instances of abuse of ActiveSG members' passes. Those included members sharing their special passes with others for entry to ActiveSG pools and gyms although such passes were strictly non-transferable, and using special or per-entry discounted passes that they were not eligible for. Deceased members' accounts were also used for admissions. Such control weaknesses would result in revenue leakage for SportSG.

For NYP, AGO's data analysis found delays in its issuance of bills for course fees. Bills totalling \$8.98 million were issued only after course commencement dates, with some issued as late as 1 year after course commencement. NYP also did not take prompt follow-up actions on outstanding course fees that were due. It is important that NYP exercise greater diligence and strengthen its procedures for prompt billing and collection of course fees. Otherwise, the longer the fees remain unpaid, the lower the likelihood of recovery.

**(3) *Lapses in Management of Grants***

AGO found lapses in the management of declarations of conflict of interest (COI) for 2 grant schemes administered by BCA. AGO's test checks found instances of inaccurate, incomplete, or missing COI declaration forms that were required to be submitted by panel members participating in the grant evaluation process. BCA had not followed up on those instances. As a result, it was not clear if those panel members were in positions of COI or not for the relevant grant applications.

**(4) *Lapses in Management of Operations***

In the audit of MHA's management of a contract for the provision of logistics services which included warehouse management services, AGO noted weaknesses in inventory and records management. AGO conducted surprise stocktakes at 3 locations and found discrepancies between the inventory balance records and the physical inventory at all 3 locations. For 2 of the locations, AGO also found weaknesses in the way checks were conducted on the physical inventory and records maintained. As a result, MHA might not be able to detect unauthorised adjustments, if any, made to the inventory records maintained by the vendor.

**(5) *Possible Irregularities in Records Furnished for Audit***

AGO noted possible irregularities in the records furnished for AGO's checks in the audits of MOE, NParks and NYP.

In the audits of MOE and NParks, AGO found possible irregularities in quotations provided for a substantial number of star rate items for the construction contracts that were test-checked.

For NYP, AGO found possible irregularities in 2 annual fire hydrant test reports submitted to NYP by its maintenance contractor.

Following AGO's audit observations, the agencies have lodged reports with the Police.

## **(6) *Thematic Audit on Parenthood Support Measures***

AGO carried out a thematic audit on the following parenthood support measures administered by MSF and ECDA: (i) Government-Paid Leave Schemes (GPLS) and Baby Bonus Scheme – Child Development Account (CDA) benefits under MSF; and (ii) Infant Care and Childcare (IC/CC) subsidies, Kindergarten Fee Assistance Scheme (KiFAS), and the Anchor Operator and Partner Operator schemes under ECDA. The Government disbursed a total of \$4.55 billion under those grant schemes during the audit period 1 April 2021 to 30 June 2023. The audit also covered withdrawals made by parents/trustees from the CDAs under the Baby Bonus Scheme. The total amount of withdrawals was \$1.49 billion during the audit period.

The audit covered 5 stages of grant management. AGO noted that in general, MSF and ECDA had put in place processes and controls across the various grant stages to ensure proper management of the schemes, as elaborated below.

### *Stage 1 – Grant Design and Setup*

AGO observed that the grant eligibility criteria and operational requirements for the administration of the grant schemes were properly laid down in implementation documents, and terms and conditions of the schemes. Those documents were updated on a timely basis when there were changes to the schemes or implementation details.

### *Stage 2 – Grant Evaluation and Approval*

AGO observed that both agencies leveraged on IT systems and data to reduce human error in grant administration. The assessment of eligibility and computation of grant quantum under most of the schemes audited were automated. Both agencies had also put in place system rules to check that grant applications/claims met criteria before they were automatically processed and approved by the systems. Data interfaces with Government data sources were established to allow for automated verification of information.



Nevertheless, AGO noted several areas where controls could be improved. Both agencies could improve the controls and monitoring of claims to detect ineligible claims and potential irregularities. AGO found lapses in grant evaluation which occurred due to system errors, inadequate system checks or system checks not working as intended. The agencies could consider additional system rules or validation checks to enhance the processing of grant applications/claims and ensure that system checks were working as intended.

### Stage 3 – Grant Disbursement

AGO noted that MSF and ECDA had put in place processes for checking and approving grant disbursements. Those included proper segregation of duties between payment verification officer and payment approving officer.

### Stage 4 – Grant Monitoring and Review

AGO noted that both MSF and ECDA had put in place processes to monitor the grants or subsidies given. However, AGO also identified several areas where controls should be improved. For the Baby Bonus Scheme, MSF should improve its monitoring mechanisms to ensure that the CDA withdrawals were made only at entities which were registered Approved Institutions (AIs)<sup>1</sup> and for authorised beneficiaries and eligible items. MSF should also ensure that its records of AIs were accurate and updated. In addition, MSF should ensure that AIs maintain proper records and documentation for CDA withdrawals, as required by MSF.

As for ECDA, it should tighten its monitoring of preschool centres to ensure that centres receiving IC/CC and KiFAS subsidies submit the required audit reports before subsidies were released. ECDA should also take proactive action to ensure that the annual ECDA-commissioned audits on anchor and partner operators were completed on time. That would allow timely follow-up on issues identified by the audits, including recovery of overpayments, if any, from the operators. As ECDA's practice was to withhold a portion of the grants until after audit reports were completed, the timely completion of audits would also ensure timely release of moneys to operators.

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<sup>1</sup> An entity had to first register with MSF to become an AI under a specific category such as childcare centres, hospitals, clinics, optical shops, kindergartens and pharmacies. Once an entity had been successfully registered, parents/trustees could then withdraw CDA moneys for approved uses at that AI.

### Stage 5 – Cessation of Grant<sup>2</sup>

AGO noted that MSF and ECDA had put in place processes to manage cessation of grants.

#### **Good Practices**

AGO observed a number of good practices that MSF and ECDA had implemented.

MSF implemented digital features in its Government-Paid Leave (GPL) Portal<sup>3</sup> to reduce instances of incorrect submissions of applications for the various leave schemes under GPLS. Once the applications were submitted, system validation rules embedded in the GPLS system would flag out exception cases for a 1-level or 2-level review depending on the complexity. That risk-based approach helped to increase the efficiency of processing cases while ensuring adequate oversight over complex cases before grants were disbursed. For CDA benefits under the Baby Bonus Scheme, MSF had established data interfaces with the Immigration & Checkpoints Authority and authorised CDA banks to facilitate automated verification of information in the applications so that the banks could set up the CDA quickly for First Step Grant disbursements. There were also system validation checks in the Baby Bonus Online system to ensure that Government co-matching grant was only given for the parent's/trustee's savings into CDA.

As for ECDA, it implemented system rules in its IT system to identify subsidy applications eligible for automatic processing and approval, and to compute the quantum of subsidies to be given. Data interface was established with other Government data sources to facilitate automated verification of information in applications and assessment of eligibility. ECDA also conducted meetings with each anchor operator 2 to 3 times a year, to discuss operational issues and to monitor the achievement of key performance indicators.

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<sup>2</sup> Referred to cessation of grant benefits/funding for recipients and not to the cessation of grant schemes. All the grant schemes covered in AGO's audit were ongoing schemes.

<sup>3</sup> The GPL Portal was a one-stop portal for the online submission of applications for the various leave schemes under GPLS.

## Concluding Remarks

AGO's audits serve to enhance public accountability and help strengthen the financial governance of public sector entities. This report highlights the more significant observations from AGO's audits carried out for the financial year 2023/24.

There are 3 areas that public sector entities should pay greater attention to:

- a. **Procurement and Contract Management.** Deliverables and outcomes required of contractors should be stipulated clearly in tender specifications and contracts. Agencies should exercise due diligence in managing their contracts and maintain adequate oversight over their contractors. That includes putting in place processes to verify that contractors have complied with contractual requirements before making payments. Payments should only be made for works done.
- b. **Management of Grants.** Agencies should put in place controls in the monitoring of grant claims to detect ineligible claims and possible irregularities. Agencies should tap on data analytics to improve their oversight of disbursements and anomaly detection. Agencies should also identify and document key risks and the mitigating measures put in place. The declaration of COI process for members on grant evaluation panels should be properly managed to ensure that the grant evaluation process is fair.
- c. **Management of Revenue and Collections.** Agencies should put in place processes to ensure accurate and timely billing and collection of fees and revenue. They should ensure that there is close monitoring of arrears and prompt action is taken to recover arrears.

I am pleased to note that the public sector entities audited by AGO take the audit observations seriously and are committed to rectify the lapses and put in place measures to prevent future recurrence. AGO will follow up with them on their remedial actions.

## **Acknowledgements**

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

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

GOH SOON POH  
Auditor-General  
Singapore

2 July 2024

**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 Auditor-General has issued an unmodified audit opinion on the Financial Statements of the Government of Singapore for the financial year ended 31 March 2024, upon completion of the audit required under section 8(1) of the Audit Act 1966.

### **Government's Responsibility for the Financial Statements**

2. The Minister for Finance is responsible for the preparation of the financial statements in accordance with Article 147(5) of the Constitution of the Republic of Singapore and section 18 of the Financial Procedure Act 1966.

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

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

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

5. The Auditor-General is required to audit and report on these financial statements under section 8(1) of the Audit Act 1966. In discharging this responsibility, the audit objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement.

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

### **Submission of Audited Financial Statements and Audit Report**

7. The Minister is required to submit the audited Financial Statements to the President under Article 147(5) of the Constitution of the Republic of Singapore and section 18 of the Financial Procedure Act 1966.

8. In accordance with section 8(3) of the Audit Act 1966, the Auditor-General submitted the audit report on the Financial Statements to the President on 28 June 2024. The President would present to Parliament the audited Financial Statements with the audit report thereon.

### **Acknowledgements**

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

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

### **Government Ministries and Organs of State**

1. In the course of the audit of the Government Financial Statements (GFS), AGO carries out test checks of internal controls of selected areas in Government ministries and organs of state. These include checks for financial irregularity, excess, extravagance, or gross inefficiency leading to waste in the use of funds and resources, and on whether measures to prevent such lapses are in place. The authority for these audits is provided for in section 5 of the Audit Act 1966.

### **Government Funds**

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

3. For Government funds whose financial statements are audited by commercial auditors, AGO carries out selective audits in rotation, at least once every 5 years for large Statutory Boards and Government funds. A selective audit is an examination of selected activities and operations, carried out in relation to the accounts, to check for financial irregularity (not for the purpose of rendering an opinion on the financial statements), and to ascertain whether there has been excess, extravagance, or gross inefficiency leading to waste, and whether measures to prevent them are in place.



4. In the financial year 2023/24, AGO carried out selective audits of the following 3 Government funds:

- a. ElderCare Fund<sup>1</sup>;
- b. INVEST Fund<sup>2</sup>; and
- c. Medical Endowment Fund<sup>1</sup>.

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

### **Acknowledgements**

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

### **Selected Observations**

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

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<sup>1</sup> The enabling legislation for the ElderCare Fund and the Medical Endowment Fund is the Medical and Elderly Care Endowment Schemes Act 2000.

<sup>2</sup> The INVEST Fund was established under the Home Affairs Uniformed Services Superannuation Act 2001.

## **MINISTRY OF EDUCATION**

8. For the audit of school development projects under the Ministry of Education (MOE), AGO covered the following areas in its test checks:

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

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

### **Lapses in Contract Management**

9. MOE appointed contractors for construction contracts and engaged consultants to manage the construction contracts on its behalf. AGO's test checks of 3 construction contracts (contract value totalling \$171.8 million) for 2 primary schools and a junior college found lapses in contract management for all 3 contracts. AGO's observations included: (i) approvals obtained after variation works commenced; (ii) lapses in valuations of contract variations; and (iii) payments for works not carried out or not in accordance with contractual requirements.

#### *A. Approvals Obtained after Variation Works Commenced*

10. AGO test-checked 71 contract variations (amounting to \$6.9 million) under the 3 construction contracts. AGO found that approvals for 45 of the variations (amounting to \$4.4 million or 64% of the total approved value of variations test-checked) were obtained after variation works had commenced or had been completed. The delays ranged from 1 month to more than 4 years after the commencement/completion of works. AGO also noted that in the approval papers for 27 of those variation works, there was no mention to the approving authority that the variation works had already commenced and that covering approvals were being sought.

11. The delays in obtaining approvals for variation works undermined the role of the approving authorities whose duty was to ensure that variations were justified and costs involved were acceptable. To ensure that financial prudence and discipline are maintained, it is important for proposed contract variations to be properly assessed and approvals sought from the appropriate approving authorities on a timely basis with all relevant facts disclosed.

*B. Lapses in Valuations of Contract Variations*

12. AGO test-checked the valuations of 12 contract variations (totalling \$3.35 million) for 2 out of the 3 construction contracts. AGO found 55 instances in 9 contract variations (totalling \$2.71 million) where variation works were not properly valued. Those included the use of incorrect rates and/or quantities to value variation works, failure to deduct costs for works not done and payments for works not installed on-site. The total net possible overpayment to the contractors was estimated to be \$98,700.

*C. Payments for Works Not Carried Out or Not in Accordance with Contractual Requirements*

13. AGO conducted site visits and test-checked works done under the 3 construction contracts. For all 3 contracts, AGO noted instances where payments had been made for works not carried out or not carried out in accordance with contractual requirements. Examples included payments of \$49,400 for 900 student lockers which were not installed and \$28,700 for textured spray coating which was not applied to staircases. The total net possible overpayment to the contractors for 2 of the contracts was estimated to be \$218,400. For the remaining contract, MOE informed AGO in May 2024 that the assessment of cost difference was still in progress.

14. It is important that payment certifying officers exercise due diligence and perform the necessary checks prior to certifying payments.

15. As a result of the lapses mentioned in paragraphs 12 and 13, there was an estimated total net possible overpayment of \$317,100 to the contractors. The lapses pointed to the need for MOE to improve its system of checks and oversight of consultants. While MOE had engaged consultants to manage the school development projects on its behalf, MOE remained responsible for the use of public funds and should not be overly reliant on the consultants.

16. MOE informed AGO that it would move towards having more outcome-based specifications for projects to reduce the number of variations. MOE would step up on-site supervision and audits to verify works done and to ensure that variation works were carried out only after approval had been obtained. It would deploy more dedicated resources to check the rates and computations used by consultants in their cost assessments of variations. MOE would issue stern warnings to consultants who failed to exercise due diligence to seek approval before variation works were carried out, perform proper valuation of variations, or verify works done on-site. That would be taken into consideration in its appraisal of the consultants. In addition, MOE targeted to develop an IT system by end-2024 to improve contract administration, including tracking variations and finalisation of accounts, to reduce manual tracking. That would enable officers to take action more promptly. Lastly, MOE would ascertain the cost adjustments needed and rectify the under and overpayments.

### **Long Delays in Finalisation of Accounts of Construction Contracts**

17. AGO's test checks of the 3 construction contracts noted delays in the finalisation of accounts for 2 contracts. AGO extended its checks on finalisation of accounts to another 18 construction contracts, completed between 1 April 2019 and 31 March 2023, and noted delays for all 18 contracts. The contract value for each of the 20 contracts with delays ranged from \$4.71 million to \$53.94 million. Of the 20 contracts, the accounts for 11 contracts were finalised 2 months to more than 2.5 years after the contractual time frame for finalisation of accounts. For the remaining 9 contracts, the accounts had yet to be finalised at the time of AGO's audit and the delays in finalisation as at March 2024 ranged from 10 months to more than 3 years. The estimated net final amount due to the contractors for the 20 contracts totalled \$6.41 million. The delays in issuing final accounts would affect the cash flow of contractors.

18. MOE informed AGO that it was committed to paying contractors in a timely manner for completed work. To incentivise the consultants to finalise accounts expeditiously, MOE would tie the progress payments of consultants to the progressive finalisation of valuations of variations<sup>3</sup> so as not to delay the preparation of final accounts. The new IT system, to be developed by end-2024, would also help officers better track the finalisation of accounts.

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<sup>3</sup> Finalisation of valuations of variations is part of the process for the finalisation of accounts.

### **Possible Irregularities in Quotations for Star Rate Items**

19. AGO test-checked 512 star rate items<sup>4</sup> under 4 construction contracts (including 2 of the contracts mentioned in paragraph 9). AGO's test checks found possible irregularities in quotations provided for 230 out of the 512 star rate items (totalling \$1.34 million or 33% of the total value of star rate items test-checked). As a result, there was inadequate assurance that value for money had been obtained for the star rate items.

20. As AGO had concerns over the authenticity of the quotations provided, AGO brought the matter to MOE's attention.

21. MOE informed AGO that it had since lodged a police report. MOE also informed AGO that it had zero tolerance on any falsification of documents and would raise officers' awareness of potential falsifications through training and regular sharing.

## **MINISTRY OF HOME AFFAIRS**

### **Weaknesses in Inventory and Records Management**

22. AGO audited the Ministry of Home Affairs (MHA)'s management of a contract for the provision of logistics services which included warehouse management services. The total contract value was \$783.83 million over 10 years, including a 4-year optional extension period.

23. As part of the audit, AGO conducted surprise stocktakes at 3 locations, comprising 2 locations for Singapore Civil Defence Force (SCDF) equipment (i.e. the vendor's warehouse and SCDF premises) and 1 location for Singapore Police Force (SPF) equipment. The SCDF equipment included medical supplies and disaster recovery equipment while the SPF equipment included helmets, vests and gas masks. AGO found weaknesses in inventory and records management at all 3 locations.

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<sup>4</sup> Star rate items refer to items for which rates are not listed in the contract.

A. SCDF Equipment

24. AGO noted that the vendor was in charge of both maintaining the inventory balance records and holding custody of physical inventory. SCDF had relied on the vendor's inventory balance records to track the inventory owned by SCDF and to conduct stocktakes. While SCDF had some measures in place such as daily, weekly and monthly checks on the physical inventory and records maintained by the vendor, AGO found weaknesses in the way those checks were conducted. For example, SCDF left it to the vendor to select the samples for its daily checks. For the weekly sample checks, SCDF would only check on inventory items with movement during the week while no checks were done for items with no movement. Thus, taken together, unauthorised adjustments, if any, made to the inventory records maintained by the vendor might not be detected by SCDF.

25. In addition, AGO noted discrepancies between the vendor's inventory balance records and the physical inventory for both locations checked. There was an instance where inventory belonging to SCDF could not be found as it was wrongly placed at another area within the vendor's warehouse that was not meant for SCDF items. There was another instance where items not belonging to SCDF were found at the location set aside for SCDF in the warehouse. AGO also noted other discrepancies involving small quantities of inventory. The discrepancies indicated that there were omissions or errors in the inventory records maintained by the vendor.

B. SPF Equipment

26. SPF had used the inventory balance records in MHA's new logistics management system for stocktakes with effect from 2023. AGO noted discrepancies between those inventory balance records and the physical inventory for 13 out of the 20 inventory items<sup>5</sup> test-checked. SPF explained that the discrepancies were due largely to:

- a. Items misplaced but subsequently found; and
- b. Erroneous inventory balance records arising from past legacy migration issues to the logistics management system or transactions that were wrongly updated.

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<sup>5</sup> The quantity in MHA's records for each of the 20 inventory items ranged from 4 to 2,178 units.

27. To ascertain whether the errors were due to legacy migration issues, AGO performed further checks by looking at post migration year to year movements between past years' physical inventory counts and inventory movement records. AGO noted that for 11 out of the 13 items, the physical quantities counted during annual stocktakes from 2020 to 2023 did not tally with the inventory balances computed from inventory movement records. The differences in quantity noted for each inventory item varied from year to year and were significant in certain years. Those weaknesses, taken together, did not give assurance that SPF's inventory was properly managed and accounted for.

28. MHA acknowledged AGO's observations and informed AGO that it had taken immediate steps to improve on its inventory management. SCDF had enhanced its daily, weekly and monthly checks over the physical inventory and records managed by the vendor. SCDF had also requested access to the vendor's inventory balance records to conduct surprise checks. Checks performed would be endorsed by an SCDF personnel and documented accordingly. MHA said that the enhanced checks would mitigate the risks inherent in the vendor managing SCDF's physical inventory and records.

29. As for SPF, it had investigated the discrepancies and concluded that those were due to recording errors. SPF informed AGO that there was no loss of inventory items. SPF acknowledged that the organisation of stocks at its store could be improved. It would work with the vendor to improve storekeeping management and re-organise its store by July 2024. SPF would also work with its line units and complete data cleansing of its inventory records in the logistics management system by July 2024.

### **Incorrect Payments of Performance Bonus Incentive to Vendor**

30. AGO's test checks on performance bonus incentive (PBI) payments made to the vendor under the same contract noted errors in PBI computations. Those resulted in overpayments totalling \$151,900 and underpayments totalling \$84,300 for the period January 2020 to September 2023.

31. Under the contract, the performance of the vendor was measured on a quarterly basis based on certain performance indicators. The PBI, if any, was computed based on the total value of relevant services rendered in that quarter and the performance of the vendor.

32. MHA explained that the incorrect computations were due to oversight. The overpayments arose as MHA did not remove certain cost components when computing the PBI. There were also duplicate purchase order (PO) amounts wrongly included in the computations. As for the underpayments, MHA had erroneously excluded certain additional services awarded via contract variations from its PBI computations.

33. MHA had since corrected the computations and would offset the net overpayment from the next PBI payout to the vendor. MHA would also apply the correct computation method, exercise scrutiny where there were changes in services provided, and ensure proper checks on the PO listings and amounts to prevent recurrence.

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## **PART II**

# **AUDIT OF STATUTORY BOARDS**

## **PART II : AUDIT OF STATUTORY BOARDS**

### **Financial Statements Audits**

1. The Auditor-General has issued unmodified audit opinions on the financial year 2023/24 financial statements of the following 3 statutory boards that were audited by AGO:

- a. Accounting and Corporate Regulatory Authority;
- b. Inland Revenue Authority of Singapore; and
- c. Monetary Authority of Singapore<sup>1</sup>.

2. In accordance with section 4(1)(a) of the Audit Act 1966, the Auditor-General audits statutory boards where the law provides for the Auditor-General to audit their accounts.

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

### **Selective Audits**

4. For statutory boards whose financial statements are audited by commercial auditors, AGO carries out selective audits in rotation, at least once every 5 years for large Statutory Boards and Government funds. The authority is provided for under Finance Circular Minute No. M3/2011, read with section 4(4) of the Audit Act 1966.

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

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

6. In the financial year 2023/24, AGO carried out selective audits of the following 5 statutory boards:

- a. Building and Construction Authority;
- b. Nanyang Polytechnic;
- c. National Parks Board;
- d. Sentosa Development Corporation; and
- e. Singapore Sports Council (also known as Sport Singapore).

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

### **Acknowledgements**

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

### **Selected Observations**

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

## **MINISTRY OF COMMUNICATIONS AND INFORMATION**

### **INFO-COMMUNICATIONS MEDIA DEVELOPMENT AUTHORITY**

#### **Lack of Clarity in Evaluation Criterion in Request for Quotation**

10. Arising from feedback received, AGO test-checked 6 Requests for Quotation (RFQ) (approved procurement value [APV] totalling \$4.43 million) awarded by the Info-communications Media Development Authority (IMDA) for the period 1 January 2020 to 31 March 2023. For 1 of the RFQs to conduct a study into the future of certain types of services in Singapore (APV of \$0.94 million), AGO found that 1 of the published evaluation criteria was not clear.

11. The evaluation criterion only stated that vendors may propose enhancements to the scope and parameters of the study. It did not state clearly that proposed enhancements accepted by IMDA would be awarded scores in the evaluation of the vendors' proposals. AGO's checks found that 40% or 20 of the 50 points allocated for the quality evaluation criterion were for proposed enhancements accepted by IMDA. Had IMDA evaluated the proposals strictly according to the published evaluation criteria in the RFQ, scores should not have been awarded to vendors for proposed enhancements accepted by IMDA. Consequently, the outcome of the award could have been different. AGO noted that the bid price of the vendor which could have been awarded the contract was less than half the price<sup>2</sup> quoted by the awarded vendor.

12. As the evaluation criterion was not stated clearly in the RFQ, it could affect IMDA's ability to attract bids that meet its objectives. IMDA's evaluation of the RFQ had also not adhered to Government procurement principles of transparency and fair competition.

13. IMDA agreed with AGO that the requirement specifications could have been more explicit by stating that proposed enhancements submitted in the vendors' proposals would be scored if accepted by IMDA. IMDA informed AGO that it would review and update its processes and guidelines to staff to ensure that all requirements that would be scored were explicitly stated.

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<sup>2</sup> After excluding the price for the enhancements.

## **MINISTRY OF CULTURE, COMMUNITY AND YOUTH**

### **SINGAPORE SPORTS COUNCIL (ALSO KNOWN AS SPORT SINGAPORE)**

14. For the audit of Sport Singapore (SportSG), AGO covered the following areas in its test checks:

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

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

#### **Inadequate Controls over Admissions to ActiveSG Pools and Gyms**

15. In the financial year 2022/23, SportSG collected \$8.13 million in admission fees for ActiveSG pools and gyms. Admission fee rates were differentiated by account category and age. Entry to the facilities was by special passes or on a per-entry basis<sup>3</sup>.

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<sup>3</sup> Singapore Citizens and Permanent Residents who signed up as ActiveSG members using SingPass or physically at sport centres were deemed as verified ActiveSG members. Verified ActiveSG members were eligible for ActiveSG pool/gym special passes (e.g. monthly passes) and per-entry passes at discounted rates. ActiveSG members aged 65 and above were eligible for free entry passes.

16. AGO carried out data analysis and test checks on ActiveSG pools and gyms admission records for the period 1 July 2022 to 30 June 2023 and found instances where the usage of ActiveSG members' passes were being abused. Under ActiveSG's terms of use, members' passes were strictly non-transferable. However, AGO found evidence of members sharing their special passes with other persons for entry to ActiveSG pools and gyms. That contravened the terms of use. AGO also found instances where members had used ActiveSG pool/gym special passes or per-entry passes purchased at discounted rates to enter the facilities even though they were not eligible for those benefits. There were also instances where deceased members' accounts were used for admissions to the ActiveSG pools and gyms. Those observations indicated that controls over admissions to ActiveSG pools and gyms were inadequate. Such control weaknesses would result in revenue leakage for SportSG.

*A. Sharing of ActiveSG Member Special Passes*

17. From its data analysis and test checks, AGO noted 1,860 admissions to ActiveSG pools and gyms where passes belonging to 339 ActiveSG member accounts were shared. For 1,834 of the admissions, members had used their passes for entry to an ActiveSG pool/gym while their accounts were concurrently being used for entry at the same or a different pool/gym. For the remaining 26 admissions, the interval between exit timing at the pool/gym at one sport centre and entry timing at the pool/gym at another sport centre was unduly short (ranging from 3 seconds to 5 minutes) for the pass to have been used by the same member.

18. The above analysis and test checks were based on concurrent use of passes or passes used within the same day where intervals between admissions using the pool/gym pass of the same member were 5 minutes or less. The actual number of cases of members abusing their non-transferable passes was likely to be higher when the possibility of passes being shared on different days was considered.

*B. Abuse of Special Passes/Per-entry Passes at Discounted Rates by Ineligible Members*

19. AGO noted that 22,618 admissions were made by members using ActiveSG pool/gym special passes or per-entry passes purchased at discounted rates for which they were not eligible. Those members were not eligible because they either did not meet the age criterion, or were not verified ActiveSG members. The majority of those (20,582 admissions) were made by 2,563 members who abused free admission benefits meant for seniors aged 65 and above.

*C. Use of Deceased Members' Accounts for Admissions*

20. AGO found 18 deceased members' accounts which were used for 283 admissions to ActiveSG pools and gyms. The late members had passed away for as long as 4.8 years before the dates of entry. Of the 18 accounts, 1 account had been used for 201 admissions.

21. SportSG acknowledged the limitations in its existing system and informed AGO that it would put in place safeguards in the new system (MyActiveSG+) to minimise such occurrences. Where manual processes were required, SportSG would put in place guides/checklists to ensure its staff were clear on the processes. Periodic checks would also be carried out to ensure compliance and detect unusual admission transactions.

**Lapses in Tender Evaluation of Vending Machine Contracts**

22. AGO test-checked 3 vending machine contracts (total estimated revenue of \$0.95 million) awarded by SportSG during the period 1 April 2021 to 30 June 2023. The 3 vending machine contracts were for the sale of beverages, merchandise and Antigen Rapid Test (ART) self-test kits respectively. They were awarded through open tenders.

23. AGO noted the following lapses in 2 of the 3 contracts:
- a. SportSG had excluded from tender evaluation 6 out of 9 tender proposals received for sale of beverages, and 2 out of 4 tender proposals received for sale of merchandise. The exclusion was not based on any critical evaluation criterion published in the Invitation to Tender. As a result, there was inadequate assurance that the evaluation was done in a fair and transparent manner.
  - b. Tender proposals for both tenders were not evaluated against the published evaluation criterion on “*Financial Record*”. For the sale of merchandise contract, the tenderer which was awarded the contract had submitted, as part of its tender bid, financial records showing that it had been making losses since its incorporation in 2019. However, such financial information was not evaluated during tender evaluation. Subsequently, the tenderer was unable to pay SportSG the licence fees and for its purchases of SportSG merchandise to be placed in the vending machines. The contract was terminated in May 2023, 11 months after tender award. The revenue arrears of \$62,533 owed to SportSG was written off as bad debts.
  - c. Incomplete and inaccurate information provided to the tender approving authority (TAA), as follows:
    - i. For both contracts, the full evaluation results of shortlisted tenderers were not presented to the TAA. Only results of selected evaluation criteria such as “*Market Reputation, Reach and Experience*” and “*Revenue Model*” were included in the TAA submission to support the award recommendations. Results of other evaluation criteria such as “*Product Price Competitiveness*” and “*Capability to provide a detailed Sales Analysis*” were not included.
    - ii. For the sale of merchandise contract, the TAA was not informed that the tenderer recommended for award was given an overall lower evaluation score than another tenderer.



- iii. For the sale of beverages contract, 3 tenderers' proposals had been evaluated but the TAA was wrongly informed that only 2 proposals were evaluated.

24. SportSG acknowledged that the scoring and other factors considered should have been clearly presented to the TAA for informed decision-making. SportSG informed AGO that from May 2024, it had enhanced its internal processes for revenue contracting such as ensuring that tender evaluation would be done in accordance with all published evaluation criteria. SportSG would also require evaluation panels to assess the financial soundness of tenderers during tender evaluation.

### **Lapses in Procurement of Manpower and Medical Services**

25. AGO test-checked 6 tenders (APV totalling \$69.59 million) awarded by SportSG during the period 1 April 2021 to 30 June 2023 and found lapses in 2 tenders. Those 2 tenders were for (i) the provision of 3 types of manpower services (lifeguards, service ambassadors and fitness instructors) for sports centres; and (ii) medical services for events. The tender for manpower services was awarded to 2 contractors: 1 type of service was awarded to 1 contractor and the other 2 types of services to another contractor. The tender for medical services was awarded to a third contractor.

#### *A. Scoring Matrix for Tender Evaluation Not Finalised before Close of Tender*

26. For the tender on provision of manpower services for sports centres, AGO found that the scoring matrix used in the evaluation of tender for the provision of 2 types of manpower services (APV of \$13.29 million) was finalised only after the tender had closed. As the scoring matrix was determined only after the close of tender, SportSG could be subject to allegations that the scoring matrix was designed to favour certain bidders.

*B. Inaccurate Information Provided to Approving Authority for Contract Variation*

27. AGO also noted that for the contract for 2 types of manpower services, the approving authority had subsequently approved a contract variation amounting to \$19.81 million. The value of that contract variation was much higher than the original APV of \$13.29 million. The contract variation was to increase the manpower services needed to manage existing and new SportSG facilities and to add a new requirement to the scope of services.

28. AGO's checks found that when the approving authority asked whether the substantial increase from the original approved value warranted a new tender, the approving authority was provided with inaccurate information. The approving authority was informed that only 2 tenderers in the tender exercise for the original contract had the requisite track records when there were in fact 4 such tenderers. Had accurate information been provided, the approving authority could have made a more informed decision as to whether a fresh tender should be called.

*C. Informing Tenderer of Award before Decision of TAA*

29. The tender on provision of medical services for events (APV of \$270,000 for a period of 2 years with an option to extend for another year) attracted 6 tenderers. AGO noted that SportSG had informed 1 of the 6 tenderers of its award and had provided information to that tenderer on an upcoming event for it to make preparations even before the TAA had made a decision on the award. The contract was eventually awarded to that tenderer. Informing a tenderer of the award before the TAA's decision undermined the role of the approving authority and bypassed controls put in place for good governance.

30. SportSG acknowledged the lapses and informed AGO that it would ensure that scoring matrices were finalised and approved before tender closing dates. It would also ensure completeness and clarity in its responses to approving authorities, as well as obtain approvals from TAAs before communicating any information on tender awards.

## **MINISTRY OF EDUCATION**

### **NANYANG POLYTECHNIC**

31. For the audit of the Nanyang Polytechnic (NYP), AGO covered the following areas in its test checks:

- a. Continuing Education and Training (CET) course fees;
- b. Procurement and payment;
- c. Payments to adjunct lecturers; and
- d. Management of staff apartments.

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

#### **Lapses in Billing and Collection of Course Fees**

32. In the financial year 2022/23, NYP collected \$13.46 million in CET course fees. NYP's workflow required course fee bills to be issued to sponsoring companies and self-sponsored trainees prior to course commencement. Fees from sponsoring companies should be collected within 30 days from the billing date while fees from self-sponsored trainees should be collected before the course commencement date.

33. AGO carried out data analysis and test checks on billing records of CET course fees for the period 1 April 2020 to 31 March 2023 and found that there were lapses in the billing and collection of CET course fees. Details of the lapses are in the paragraphs that follow.

A. Lapses in Billing

34. AGO's data analysis found that NYP had not been prompt in issuing bills for course fees. Bills for course fees totalling \$8.98 million were issued only after course commencement dates. Those were for 134 bills, with amounts ranging from \$50 to as high as \$1.24 million, which were issued to 40 sponsoring companies and 26 self-sponsored trainees. The 134 bills were issued as late as 1 year after the courses had commenced.

B. Lapses in Collection

35. AGO's data analysis also found that NYP did not take prompt follow-up actions on outstanding course fees that were due. Course fees totalling \$0.24 million for 304 bills had been outstanding for 6 months to as long as 3.5 years as at 15 November 2023. AGO test-checked 45 of the 304 bills and found that there was inadequate follow-up on 43 bills totalling \$95,600. There was either no follow-up other than the sending of monthly Statement of Accounts or gaps for periods ranging from 2 months to 1.4 years where debt recovery efforts such as reminder emails and phone calls were not made although required by NYP's Standard Operating Procedures (SOP).

36. NYP had since followed up on the outstanding bills. As at April 2024, course fees totalling \$0.11 million (or 46% of the total outstanding bills amounting to \$0.24 million) had been recovered and another \$30,000 from 62 bills had been written off. NYP was in the midst of recovering the remaining fees.

37. AGO is of the view that NYP should exercise greater diligence in the billing and collection of CET course fees. It should put in place procedures for prompt billing and collection of CET course fees and ensure that procedures are consistently applied and enforced. Otherwise, the longer the fees remain unpaid, the lower the likelihood of recovery.

38. NYP acknowledged that there were delays in billing and inadequate debt recovery actions. NYP informed AGO that with the implementation of a training portal in July 2023, enhancements had been made to the processes for billing and collection of course fees. For example, bills would be automatically issued at different points depending on the type of course and type of trainee. NYP would also work on engaging a service provider for debt recovery services.

### **Possible Irregularities in Fire Hydrant Test Reports**

39. Arising from a complaint received, AGO carried out test checks on 4 annual fire hydrant test reports submitted to NYP by its maintenance contractor. The annual fire hydrant test reports showed readings, such as running pressure and flow rate, for each of the fire hydrants on NYP premises. AGO found tell-tale signs on 2 of the annual test reports which cast doubt on their authenticity. AGO's view was that there was no assurance that the testing and checks of the fire hydrants covered by the 2 test reports as required under the maintenance contract had been properly carried out before payments were made.

40. As AGO had concerns on the authenticity of the 2 test reports, AGO recommended that NYP look into the matter.

41. NYP informed AGO that it had since made a police report. NYP also informed AGO that it would carry out an investigation and engage an independent vendor to carry out additional testing of its fire hydrants for added assurance over the safety of the campus community.

## **MINISTRY OF NATIONAL DEVELOPMENT**

### **BUILDING AND CONSTRUCTION AUTHORITY**

42. For the audit of the Building and Construction Authority (BCA), AGO covered the following areas in its test checks:

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

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

## **Weak Oversight over Process for Declaration of Conflict of Interest**

43. AGO test-checked BCA's management of 7 grant projects (approved grants totalling \$10.40 million) under 2 grant schemes with disbursements made during the period 1 April 2020 to 31 March 2023. AGO noted lapses in the management of declarations of conflict of interest (COI) in 5 of the grant projects (approved grants totalling \$8.46 million). The grants awarded for each of the 5 projects ranged from \$0.45 million to \$3.21 million.

44. BCA administered the 2 grant schemes for the built environment sector, namely the Green Buildings Innovation Cluster (GBIC) grant scheme and the Built Environment Technology Alliance (BETA) Phase I grant scheme, on behalf of the National Research Foundation. The objective of the GBIC grant scheme was to accelerate the development of innovative energy-efficient building technologies to support national carbon reduction efforts. The objective of the BETA grant scheme was to encourage industry-led projects on cross-cutting technologies with high commercialisation potential. BCA would invite applications for grants under the 2 schemes. Interested parties could submit applications for the grants on their own or jointly with other organisations.

45. The evaluation panels for the 2 grant schemes comprised officers from BCA, other public sector agencies and members from the private sector. To ensure that the evaluation panel members carried out their work fairly, they were required to submit a declaration that they were not in a position of COI before they could participate in the evaluation. In particular, the declaration forms required panel members to indicate if they, or their family members, had any vested interest in the company applying for the grant (e.g. as an employee or shareholder of the company and/or as a member of the board/management).

46. Of the 25 declaration forms required for the 5 projects, AGO noted 20 instances of lapses in 19 forms as follows:

- a. 7 instances where the panel members had signed the forms but did not indicate whether they were in a position of COI or not;
- b. 5 instances where companies involved in the project were not fully disclosed in the forms;
- c. 5 instances with wrong grant application invitation stated in the forms;

- d. 2 instances where BCA could not locate the forms when requested by AGO; and
- e. 1 instance where the panel member had checked off conflicting declaration statements in the form.

47. As a result, it was not clear if the panel members were in positions of COI or not for the relevant grant applications.

48. AGO further noted that BCA did not take any follow-up action even though the declaration forms submitted by panel members were incomplete or had wrong/conflicting information. Those panel members continued to participate in the grant evaluation process. BCA informed AGO that the lapses were not picked up due to oversight by the officers in charge of the projects.

49. The COI declaration process is important to ensure that the grant evaluation process is fair and that panel members have no vested interest in the companies whose applications they are evaluating. BCA should ensure that all declaration forms are properly prepared and filled in, before allowing participation in the evaluation panel.

50. BCA informed AGO that it had since enhanced the COI declaration process. Measures taken included using e-forms with compulsory fields for the declaration, reminding all panel evaluation members to declare whether they have COI prior to the evaluation meeting, implementing internal checks to ensure that COI declarations were properly prepared and filled in, and filing of the declarations for safekeeping and retention. Panel members with declared COI would be recused from the evaluation to ensure that the evaluation of grants was carried out fairly without prejudice.

### **Lapses in Contract Management**

51. In early 2020, Jurong Apartments (JA) was activated as a Government Quarantine Facility for migrant workers and BCA was tasked with the responsibility to oversee the management and operations. JA comprised 5 blocks of flats with over 200 dwelling units. As the COVID-19 pandemic situation evolved, BCA continued to oversee JA through different phases (e.g. as a recovery/stand-down facility). BCA awarded a total of 4 contracts over the period 2020 to 2024 to an operator to manage and operate JA.

52. AGO test-checked 2 of the 4 contracts that BCA awarded to the operator, namely the contract for the period 1 October 2021 to 30 September 2022 (payments totalling \$3.87 million), and the contract for the subsequent period 1 October 2022 to 31 December 2024 (payments as at 31 December 2023 totalling \$1 million).

53. AGO found that there were inadequate checks performed by BCA to ensure that the operator had performed in accordance with contractual requirements before payments were made. There were also inadequate provisions in the contracts to safeguard BCA's interests.

54. Details of the audit observations are in the paragraphs that follow.

A. *Inadequate Checks on Operator's Compliance with Contractual Requirements*

55. AGO noted that the operator did not submit to BCA the maintenance schedules and weekly reports on maintenance or improvement works as required under the 2 contracts test-checked. AGO's site visit to 12 dwelling units in November 2023 found instances of poor maintenance of 6 units such as spalling concrete and termite infestation. There were also missing or damaged ceiling boards along some corridors. Those were not in compliance with the contracts which required the operator, at his own cost, to be responsible for the repairs and maintenance of the premises including ensuring that facilities were kept in a good and tenantable condition.

56. AGO also noted that the operator did not conduct any quarterly safety and security inspection at the premises as required under the 2 contracts test-checked. The inspections were to ensure that there were no unauthorised occupants.

57. While BCA had outsourced the management and operations of JA, BCA remained responsible for the overall maintenance and upkeep of JA. The lapses indicated inadequate contract monitoring by BCA to ensure that the operator had fulfilled its contractual obligations, and that BCA had received the full value of services it paid for.



58. BCA acknowledged the gaps in monitoring the operator's work. BCA informed AGO that it had since tightened its procedures to ensure close contract monitoring such as routine/regular inspections and review of all maintenance and services reports. BCA also informed AGO that it had worked out an updated maintenance schedule with the operator for the current contract and the operator had been consistently fulfilling its contractual obligations since January 2024. Following AGO's site visit in November 2023, BCA had conducted follow-up inspections in December 2023 and January 2024. The operator had since rectified all defects upon BCA's request.

*B. Inadequate Provisions in Contract to Safeguard BCA's Interests*

59. For both contracts, AGO noted that BCA did not collect security deposits (SD) from the operator. Neither was there any provision in the contracts for BCA to impose liquidated damages (LD) in the event of poor performance or breach of contract by the operator. As a result, there was inadequate assurance that BCA's interests were safeguarded.

60. BCA informed AGO that for the contract called in 2020, it had obtained approval to exclude the collection of SD. BCA adopted that arrangement for the subsequent contracts as BCA had assessed that there was no significant change in work scope for the operator. BCA had since tightened its contract management processes by ensuring regular inspections and verification of maintenance works done before payment was made. If the work done was not satisfactory, BCA would withhold payment until rectification was done. BCA also informed AGO that it would review the need to include SD/LD clauses for future contracts.

## **NATIONAL PARKS BOARD**

61. For the audit of the National Parks Board (NParks), AGO covered the following areas in its test checks:

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

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

### **Lapses in Valuations of and Payments for Works Orders**

62. AGO test-checked 2 term contracts for development and upgrading works at parks and open spaces (APV totalling \$81.44 million). According to NParks, its officers would verify completion reports against payment claims by the term contractors before making payments. As part of the verification process, NParks officers would visit work sites while the works were in progress and/or upon completion of works where necessary.

63. AGO's test checks of 60 works orders (WOs) issued from 1 April 2020 to 31 March 2023 (totalling \$10.56 million) under the 2 term contracts found 42 instances (in 22 WO or 37% of the 60 WO) of lapses in contract management. Those included: (i) payments made in full for works not done according to WOs; (ii) lapses in valuation of work done; and (iii) duplicate payments for works.

64. The possible overpayment to the contractors due to the lapses was estimated to be \$1.93 million (or 18% of the total value of the 60 WOs) as shown in **Table 1**.

**Table 1: Summary of Lapses**

Description of Lapse	No. of Instances	Possible Overpayment (\$ million)
Payments made in full for works not done according to WOs	18	1.27
Lapses in valuation of work done	6	0.29
Duplicate payments for works	18	0.37
<b>Total</b>	<b>42</b>	<b>1.93</b>

65. The lapses pointed to the need for NParks to improve its oversight and management of term contracts. The inadequate checks on works done and verification of payments did not give assurance that NParks had obtained full value for the public funds spent.

*A. Payments Made in Full for Works Not Done According to Works Orders*

66. AGO's test checks found 18 instances in 15 WOs where works were not carried out or not carried out in accordance with the WOs. However, NParks made full payments based on the WOs, resulting in possible overpayment of \$1.27 million to the contractors. For example, AGO noted that 2 stretches of quarry dust trails with a total distance of 1.2 km were constructed instead of grass and gravel tracks as specified in 2 WOs. NParks had paid the contractor using the contract rate for grass and gravel. That was higher than the rate for quarry dust, resulting in possible overpayment of \$0.81 million. In another example, while 138 bollard markers of 5 mm-thick steel were specified in 2 WOs, the contractor had installed distance markers of 3.2 mm-thick steel instead. Notwithstanding that, NParks had paid the contractor using the rate for the thicker bollard markers, resulting in possible overpayment of \$0.25 million.

*B. Lapses in Valuation of Work Done*

67. AGO's test checks found 6 instances of lapses in valuation of works done under 6 WOs (possible overpayment of \$0.29 million). The lapses included computation errors in deriving the quantity of work done. For example, AGO noted 3 instances in 3 WOs where the quantity of material used for track improvement works was computed wrongly, resulting in a possible overpayment of \$0.25 million.

*C. Duplicate Payments for Works*

68. AGO's test checks found 18 instances of duplicate payments for works under 11 WOs (possible overpayment of \$0.37 million). For example, AGO noted 13 instances in 7 WOs where NParks had made additional payments for certain cost components to construct a drainage system even though those cost components were already part of the all-in rate for the drainage system. That resulted in a possible overpayment of \$0.31 million.

69. NParks agreed with the possible overpayments of \$1.93 million estimated by AGO and had taken action to recover \$0.29 million as at May 2024. For the remaining possible overpayments, NParks said that it would ascertain the amounts and work with the contractors to recover the amounts. NParks informed AGO that it had since tightened its verification process to ensure that works carried out on-site did not deviate from the required works and drawings. NParks would conduct training for its staff, including refresher training, to uphold the required standards of project and contract management. NParks would also review and update the contract provisions, contract rates and drawings under its term contracts for development and upgrading of parks and open spaces to streamline the contents and keep them current. In addition, NParks had since engaged external quantity surveyor consultants to check the works and payment claims for projects of higher value. That would alleviate the heavy workload of checking the large volume of WOs for its term contracts.

### **Possible Irregularities in Quotations for Star Rate Items**

70. AGO's test checks found possible irregularities in quotations provided for 97 out of 115 star rate items (totalling \$1.5 million or 69% of the total value of star rate items test-checked) under a construction contract to develop a park connector. The construction contract (contract value of \$11.43 million) was managed by consultants engaged by NParks. Given the possible irregularities, there was inadequate assurance that value for money had been obtained for the star rate items.

71. As AGO had concerns over the authenticity of the quotations provided, AGO brought the matter to NParks' attention.

72. NParks informed AGO that it had since lodged a police report. NParks also informed AGO that it would put in place measures to strengthen the management of star rate items, including incorporating lessons from AGO's audit, conducting training sessions to enhance staff competency and exploring the use of technology to better detect irregularities.

## **MINISTRY OF TRADE AND INDUSTRY**

### **SENTOSA DEVELOPMENT CORPORATION**

73. For the audit of the Sentosa Development Corporation (SDC), AGO covered the following areas in its data analysis and test checks:

- a. Revenue contracting;
- b. Rental income; and
- c. Procurement and contract management.

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

## Lapses in Management of Vehicle Maintenance Contracts

74. AGO test-checked 2 term contracts for the maintenance of vehicles (APV totalling \$3.62 million) awarded to a contractor for a period of 5 years from 1 July 2020 to 30 June 2025. Services to be performed included preventive maintenance with scheduled quarterly servicing for each vehicle and corrective maintenance such as replacement and repair of defective parts. As at 12 December 2023, there were 147 vehicles<sup>4</sup> to be maintained under the contracts.

75. Both contracts were performance-based contracts whereby the contractor would be paid a fixed monthly fee based on the total number of vehicles to be maintained and the fixed rate per vehicle. Under the contracts, SDC could adjust the number of vehicles to be maintained via contract variations that would then lead to corresponding adjustments to the monthly fees. At the end of each month, SDC would determine the contractor's performance score. If the contractor failed to meet the minimum required performance score, SDC should make a deduction against the next payment due to the contractor.

76. AGO found lapses in the management of the term contracts during the audit period 1 July 2020 to 12 December 2023, as detailed below.

### A. Vehicle Servicing Not Performed or Performed Late

77. AGO's data analysis found that 151 out of 1,593 servicing jobs scheduled during the period 1 July 2020 to 12 December 2023 were not performed. It involved 54 out of 147 vehicles across both contracts. The number of quarterly servicing jobs not done for each of the 54 vehicles ranged from 1 to 8 instances.

78. AGO also found that 85 scheduled servicing jobs were performed late for 51 vehicles. The delays ranged from 15 days to 354 days.

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<sup>4</sup> Comprised 92 road vehicles under 1 contract, and 41 buggies and 14 e-trams under the other contract.

79. Although the contractor did not perform or was late in performing some of the scheduled servicing jobs, AGO noted that SDC was not aware and did not take that into consideration when evaluating the contractor's monthly performance. AGO was informed by SDC that due to the design of the contracts, there was no mechanism for the monthly fee to be pro-rated nor for the omission of fees when specific works were not done. AGO noted that this meant that no deductions could be made for works not done. In that regard, SDC effectively paid for works that were not done.

80. SDC informed AGO that it would strengthen oversight over the vehicle management contracts. The contract management team was replaced by a new team in January 2024 to manage the contracts. The new team had made improvements to the process, including checks and documentation to ensure all required works were carried out according to schedule. SDC would also be establishing an agreement with the contractor to omit payment for missed servicing works for the remaining contract period till 30 June 2025. That would ensure that payments were made only for works that had been completed. SDC would include relevant clauses and specifications pertaining to the new process in the new tender which it expected to award in 2025.

81. SDC would also improve the monitoring of scheduled servicing jobs. For example, to prevent missed or late servicing jobs, strict guidelines had been put in place to notify users of missed servicing and for the respective Heads of Departments to approve changes to servicing schedules. SDC had also conducted daily checks on servicing records since February 2024. In addition, SDC had briefed the contractor in February 2024 and April 2024 to ensure strict adherence to the tightened process.

B. Lapses in Administration of Condemned Vehicles

82. AGO's checks on 36 condemned vehicles that were disposed of between July 2020 and December 2023 found lapses in the disposal and administration of 16<sup>5</sup> vehicles.

- a. For 6 out of 7 vehicles test-checked, SDC only completed the disposal process 8 to 33 months after receiving the contractor's recommendation for the vehicles to be condemned. The condemned vehicles had remained on the list of vehicles that the contractor was to maintain and SDC continued to pay the monthly maintenance fees for them in the meantime. That amounted to \$3,799. Had SDC been prompt in removing those vehicles from the list of vehicles to be maintained by the contractor, that expenditure need not be incurred.
- b. AGO's test checks and SDC's further investigation found 11 vehicles where:
  - i. SDC continued to make payments for the maintenance of 9 vehicles even though they had already been disposed of; and
  - ii. SDC did not make payments for the maintenance of 2 vehicles, even though they were still included in the list of vehicles to be maintained by the contractor prior to their disposal.

As a result, there were over and underpayments totalling \$4,596 and \$1,518 respectively.

83. SDC informed AGO that all overpayments had been recovered and underpayments paid in April 2024. SDC had since strengthened its SOP for the Vehicle Disposal Process to ensure that condemned vehicles were deregistered promptly with the necessary approvals obtained in a timely manner, with follow-through to ensure that deregistered vehicles were excluded from the monthly servicing payments.

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<sup>5</sup> For 1 of the vehicles, 2 lapses were noted.



C. Creation of Servicing Job Sheets for Works Not Done

84. AGO found indications that the contractor had created job sheets for 105 scheduled servicing jobs (relating to 42 vehicles) in SDC's Fleet Management Information System (FMIS)<sup>6</sup> even though no work was performed. Those comprised 32 servicing jobs with duplicate records showing servicing being performed on the same vehicle and on the same day, and another 73 jobs with tell-tale signs that the job sheets were created even though no work was done.

85. AGO takes a serious view of any creation of records to give the false impression that works had been performed at the material point in time. Such actions also cast doubt on the authenticity of other records maintained by the contractor as evidence of works done in accordance with the contracts. There was a need for SDC to emphasise to the contractor that such actions were unacceptable and to take appropriate action against the contractor to deter such behaviour.

86. SDC informed AGO that it took a serious view of the observation by AGO and agreed that creation of records by the contractor to give the false impression that works had been performed at the material point in time was unacceptable. SDC had since issued an official warning letter to the contractor in May 2024. SDC had also emphasised to the contractor the need for all its personnel to be familiar with the revised documented processes and to adhere to the SOP on Vehicle Servicing Process.

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<sup>6</sup> SDC used FMIS to maintain records of its vehicles as well as their servicing and repair history. The contractor would create a job sheet in FMIS to record information such as the type of servicing carried out, date and time of both the commencement and completion of servicing as well as the name of contractor staff who performed the service.

## **PART III**

# **THEMATIC AUDIT – PARENTHOOD SUPPORT MEASURES**

## **PART III : THEMATIC AUDIT**

1. In the financial year 2023/24, AGO conducted a thematic audit on selected parenthood support measures managed by the Ministry of Social and Family Development (MSF) and the Early Childhood Development Agency (ECDA).

2. A thematic audit is an in-depth examination of a selected area, which may involve more than 1 public sector entity. The in-depth examination enables AGO to report on good practices in financial governance and controls that it may come across in the course of the audit, in addition to lapses.

3. Thematic audits may involve Government ministries, organs of state, Government funds or statutory boards. For Government ministries, organs of state and Government funds, the authority is provided for in section 5(1) of the Audit Act 1966. For statutory boards, the authority is provided for under Finance Circular Minute No. M3/2011, read with section 4(4) of the Audit Act 1966.

### **Acknowledgements**

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

## Scope of Audit

5. The thematic audit focused on the following parenthood support measures administered by MSF and ECDA during the period 1 April 2021 to 30 June 2023. The Government disbursed a total of \$4.55 billion under the following grant schemes during the audit period:

**Table 1: Total Disbursement by Grant Scheme (1 April 2021 to 30 June 2023)**

<b>Grant Scheme</b>	<b>Total Disbursement (\$ million)</b>
<b>MSF</b>	
Government-Paid Leave Schemes (GPLS)	767.35
Baby Bonus Scheme – Child Development Account (CDA) Benefits	525.70
<b>ECDA</b>	
Infant Care and Childcare (IC/CC) Subsidies	1,714.62
Anchor Operator (AOP) Scheme and Partner Operator (POP) Scheme	1,506.15
Kindergarten Fee Assistance Scheme (KiFAS)	39.70
<b>Total</b>	<b>4,553.52</b>

6. The thematic audit also covered withdrawals made by parents/trustees from the Child Development Accounts under the Baby Bonus Scheme. The total amount of withdrawals was \$1.49 billion during the audit period 1 April 2021 to 30 June 2023.

7. The audit sought to assess whether processes and controls were in place across the following stages:

- a. Stage 1: Grant Design and Setup
  - Whether there were processes and controls in place to ensure that grant schemes were authorised and administered in accordance with the objectives of the schemes.

- b. Stage 2: Grant Evaluation and Approval
  - Whether there were processes and controls in place to ensure that grant applications were properly evaluated and approved; and
  - Whether proper terms and conditions were stipulated for compliance.
- c. Stage 3: Grant Disbursement
  - Whether there were processes and controls in place to ensure that disbursements were properly supported and approved for the intended purposes, and disbursed in an accurate and timely manner; and
  - Whether deviations from approved terms (if any) were justified, properly approved and disbursed.
- d. Stage 4: Grant Monitoring and Review
  - Whether there were processes and controls in place to ensure that grants were managed in accordance with relevant terms and conditions, and that the deliverables were achieved.
- e. Stage 5: Cessation of Grant<sup>1</sup>
  - Whether there were processes and controls in place to take stock of final deliverables and settle the accounts (including recovering overpayments) in a timely and accurate manner.

8. The audit examined whether there was a proper framework for grant management and whether due process was followed for the above stages. The audit did not seek to certify whether the grant recipients had, in all material aspects, utilised or managed the grants in accordance with the grant terms and conditions.

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<sup>1</sup> Referred to cessation of grant benefits/funding for recipients and not to the cessation of grant schemes. All the grant schemes covered in AGO's audit were ongoing schemes.

9. AGO test-checked a total of 867 samples covering the above grant stages for the schemes audited. In addition to sample checks, AGO performed data analysis where relevant data was available and carried out test checks on possible exceptions. AGO also conducted an audit of the IT general controls and/or application controls over the systems used to support the administration of the schemes.

## Summary

10. AGO noted that in general, MSF and ECDA had put in place processes and controls across the various grant stages to ensure proper management of the schemes. Both agencies had implemented several good practices in managing the schemes. AGO also noted areas where improvements could be made.

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

### Stage 1 – Grant Design and Setup

12. AGO observed that the grant eligibility criteria and operational requirements for the administration of the grant schemes were properly laid down in implementation documents, and terms and conditions of the schemes. Those documents were updated on a timely basis when there were changes to the schemes or implementation details.

13. In MSF's case, it had appointed an external vendor to manage the administration of GPLS. AGO noted that clear roles and responsibilities were established between MSF and the vendor, and those were properly documented in the agreement signed between both parties.

14. For IC/CC subsidies and KiFAS under ECDA, AGO noted that ECDA had issued a Code of Practice to infant care centres, childcare centres and kindergartens (hereinafter referred to as "preschool centres") that set out the eligibility criteria and obligations of preschool centres, such as the requirements for centres to commission annual audits on subsidies disbursed. As for the AOP and POP schemes, ECDA's agreements with the operators stated clearly the obligations of the operators, key performance indicators that operators had to meet, grant eligibility criteria, computation methodology for grant quanta and reporting requirements.

Stage 2 – Grant Evaluation and Approval

15. AGO observed that both agencies leveraged on IT systems and data to reduce human error in grant administration. The assessment of eligibility and computation of grant quantum were automated for GPLS, CDA benefits under the Baby Bonus Scheme, IC/CC subsidies and KiFAS<sup>2</sup>. Both agencies had also put in place system rules to check that grant cases met the criteria before they were automatically processed and approved by the systems. Data interfaces with Government data sources were established to allow for automated verification of information.

16. Cases which did not meet the system rules would either be rejected by the system or routed for manual processing. Processes and procedures were put in place to guide the manual processing of such cases. There was also proper segregation of duties between processing and approving officers. For MSF, it conducted random checks on GPLS cases processed by the vendor to ensure accuracy and quality of grant processing. For ECDA, it conducted random checks on grant claims submitted by partner operators to verify eligibility and accuracy of the claim amounts.

17. Nevertheless, AGO noted several areas where controls could be improved. For GPLS, AGO's data analysis found cases with unusual patterns in the declared employment income of parents which pointed to possible abuse of GPLS. For example, there was a significant increase in declared employment income at the start of the leave claim period followed by a significant decrease in the income after the Government-paid leave period was over. There were also lapses in grant evaluation which included cases where disbursements were made even though criteria were not met, e.g. age or citizenship criterion of child, marriage criterion of parents. Those lapses occurred due to inadequate system checks or system checks not working as intended.

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<sup>2</sup> On the other hand, grant cases under AOP and POP schemes were manually processed.

18. For IC/CC subsidies and KiFAS, AGO found system errors for some of the cases that were processed automatically by ECDA's system. The system did not perform sufficient checks on the details of the household members declared (e.g. NRIC, number of household members) in the subsidy applications. Such information would affect the per capita income computation and consequently the quantum of means-tested subsidies to be given. AGO also noted cases where non-compliance with ECDA's requirements by preschool centres were not detected by ECDA's controls. Those included cases where preschool centres keyed incorrect information relating to subsidy applications into ECDA's system or where preschool centres failed to retain subsidy application forms and other documentation required by ECDA. AGO also noted that contrary to ECDA's requirement, a few preschool centres did not declare that significant discounts had been given for programme fees for children enrolled under them, thus resulting in over-disbursement of subsidies.

19. For the AOP and POP schemes, AGO found instances where ineligible grant claims submitted by operators had been wrongly assessed as meeting eligibility criteria and had therefore been approved by ECDA for disbursements. AGO also noted delays in the manual processing of some cases, resulting in delays in disbursements to the operators.

### Stage 3 – Grant Disbursement

20. AGO noted that MSF and ECDA had put in place processes for checking and approving grant disbursements. Those included proper segregation of duties between payment verification officer and payment approving officer.

### Stage 4 – Grant Monitoring and Review

21. AGO noted that both MSF and ECDA had put in place processes to monitor the grants or subsidies given. For MSF, there were processes to monitor the vendor's compliance with the deliverables for outsourced grant administration processes, e.g. time taken to process applications. ECDA programmed its system to automatically recover over-disbursed subsidies, if any, for children withdrawn from preschool centres based on the child's last day of attendance. However, AGO noted several areas where controls should be improved.

22. For GPLS, there were refund cases where MSF could not provide AGO with the supporting documents needed for the audit. In addition, there were cases where refunds were computed wrongly.



23. For CDA benefits under the Baby Bonus Scheme, AGO found withdrawals that appear to have been used for unauthorised beneficiaries or for ineligible items. AGO's data analysis noted unusual patterns of CDA withdrawals by some parents/trustees. For example, there were frequent withdrawals made within short periods of time and the nature of items purchased (e.g. adult-sized sunglasses) cast doubt on whether the purchases were made for the benefit of the child or his sibling(s). The Baby Bonus Approved Institutions (AIs)<sup>3</sup> spanned a wide range of entities from infant care/childcare centres and kindergartens to medical clinics, pharmacies and optical shops. AGO noted tell-tale signs that supporting documents for CDA withdrawals provided by an AI to AGO could have been created and backdated for audit purpose. AGO also noted that records of AIs (e.g. AI status) maintained by MSF were not accurate. AGO found instances of CDA withdrawals made by entities which were not ever registered as AIs or by AIs which had already been deregistered.

24. AGO noted that while MSF had engaged commercial auditors to audit CDA withdrawals at AIs, not all AI categories were included in the audits. For example, no audits had been conducted on CDA withdrawals at optical shops since 2018. AGO observed that there was poor record-keeping by some AIs test-checked, including incomplete or no records kept for CDA withdrawals made. For the 6 AIs that AGO made site visits to, none had adhered to MSF's instructions to keep written records of the parent/trustee's declaration on familial relationship or of their verification checks done.

25. For IC/CC and KiFAS subsidies, AGO was of the view that ECDA should have been tighter in its monitoring of preschool centres to ensure that centres submit the required audit reports, declare audit findings, and make adjustments for cases of incorrect payments of subsidies flagged by their auditors. AGO noted instances where ECDA failed to withhold subsidies when preschool centres did not submit the required audit reports.

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<sup>3</sup> An entity had to first register with MSF to become an AI under a specific category such as childcare centres, hospitals, clinics, optical shops, kindergartens, and pharmacies. Once an entity had been successfully registered, parents/trustees could then withdraw CDA moneys for approved uses (through GIRO or NETS) at that AI.

26. For AOP and POP schemes, AGO noted that ECDA did not take proactive action to address the protracted delays in the completion of audits on the anchor and partner operators. The delays in audit completion affected the release of retained grants and could affect operators' cash flow. The delays would also hinder ECDA's follow-up on issues identified by the auditors, including recovery of over-disbursements, if any.

#### Stage 5 – Cessation of Grant<sup>4</sup>

27. AGO noted that MSF and ECDA had put in place processes to manage cessation of grants. For the Baby Bonus Scheme, MSF had put in place processes to ensure proper closure of CDAs such as ensuring that accounts were closed promptly, and the balances were transferred out from the CDA to the children's Post-Secondary Education Accounts correctly.

28. For IC/CC subsidies and KiFAS, ECDA had put in place processes to ensure that when preschool centres close, ECDA would withhold one month of subsidy disbursement until the preschool centre submitted its final audit report. For the AOP and POP schemes, processes were in place to verify that preschool centres that had ceased operations did not claim for funding.

### **Good Practices**

29. AGO observed a number of good practices that MSF and ECDA had implemented.

30. MSF implemented digital features in its Government-Paid Leave (GPL) Portal<sup>5</sup> to reduce instances of incorrect submissions of applications for the various leave schemes under GPLS. Once the applications were submitted, system validation rules embedded in the GPLS system would flag out exception cases for review. Cases that were more complex would be flagged for a 2-level review while the remainder would be reviewed by 1 officer. In addition, MSF developed a structured process to manage conflict of interest situations for vendor staff.

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<sup>4</sup> Referred to cessation of grant benefits/funding for recipients and not to the cessation of grant schemes. All the grant schemes covered in AGO's audit were ongoing schemes. Stage 5 was not applicable for GPLS as there was no need for any settling of accounts with the recipients.

<sup>5</sup> The GPL Portal was a one-stop portal for the online submission of applications for the various leave schemes under GPLS.

31. For CDA benefits under the Baby Bonus Scheme, MSF had established data interfaces with the Immigration & Checkpoints Authority and authorised CDA banks to facilitate automated verification of information in the applications so that the banks could set up the CDA quickly for First Step Grant disbursements. There were also system validation checks in the Baby Bonus Online system to ensure that Government co-matching grant was given only for the parent's/trustee's savings into CDA.

32. As for ECDA, it implemented system rules in its IT system to identify subsidy applications eligible for automatic processing and approval, and to compute the quantum of subsidies to be given. Data interface was established with other Government data sources to facilitate automated verification of information in applications and assessment of eligibility. In the event of a child's withdrawal from a preschool centre, the system would automatically initiate the recovery of any over-disbursed subsidies based on the child's last day of attendance. For the AOP scheme, ECDA conducted regular bilateral meetings (2 to 3 times a year) with each anchor operator to discuss operational issues and to monitor the achievement of key performance indicators.

33. Details of the key observations for MSF and ECDA, including good practices implemented, are in the paragraphs that follow.

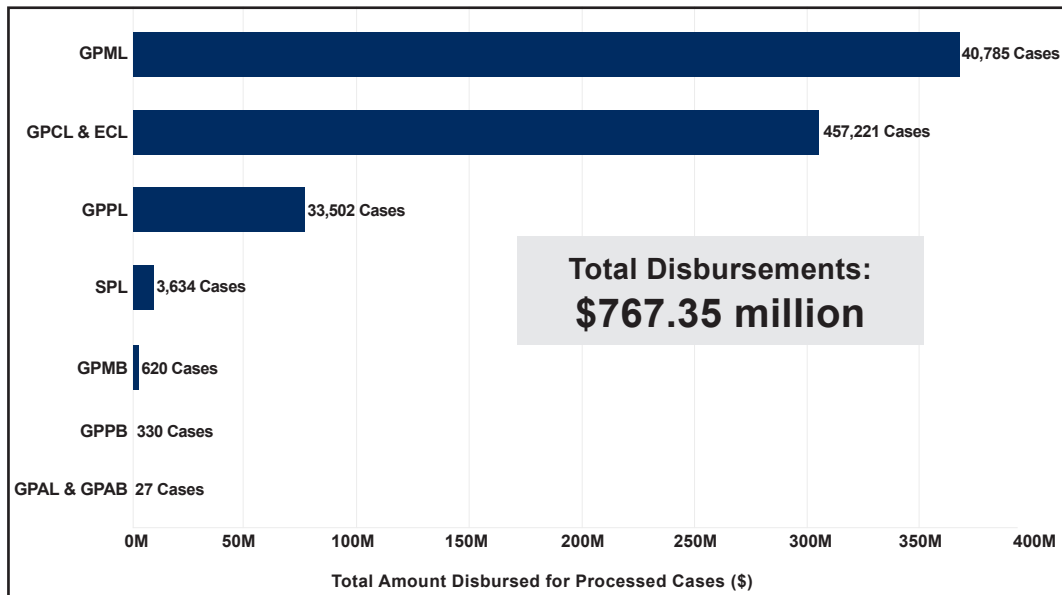
## MINISTRY OF SOCIAL AND FAMILY DEVELOPMENT

34. MSF’s mission is to nurture resilient individuals, strong families and a caring society. AGO selected 2 key parenthood support measures managed by MSF for audit: the Government-Paid Leave Schemes (GPLS) and the Child Development Account (CDA) benefits under the Baby Bonus Scheme.

### Government-Paid Leave Schemes

35. The GPLS was introduced in 2001 to help parents better manage work and family life. The Government disbursed a total of \$767.35 million under GPLS during the audit period 1 April 2021 to 30 June 2023. The amounts disbursed for each of the 9 paid leave schemes<sup>6</sup> covered in the audit are shown in **Figure 1**.

**Figure 1: Amounts Disbursed under GPLS (1 April 2021 to 30 June 2023)**



<sup>6</sup> The 9 schemes were: GPML (Government-Paid Maternity Leave), GPCL (Government-Paid Childcare Leave), ECL (Extended Childcare Leave), GPPL (Government-Paid Paternity Leave), SPL (Shared Parental Leave), GPMB (Government-Paid Maternity Benefit), GPPB (Government-Paid Paternity Benefit), GPAL (Government-Paid Adoption Leave) and GPAB (Government-Paid Adoption Benefit). Please see Appendix for a description of the 9 paid leave schemes.

36. AGO test-checked a total of 141 samples for GPLS covering the various grant stages during the audit period. In addition to the sample checks, AGO performed data analysis where relevant data was available and carried out test checks on possible exceptions highlighted from the analysis. AGO also conducted an audit of the IT general controls and application controls over the GPLS system<sup>7</sup> used to support the schemes.

### **Baby Bonus Scheme – Child Development Account Benefits**

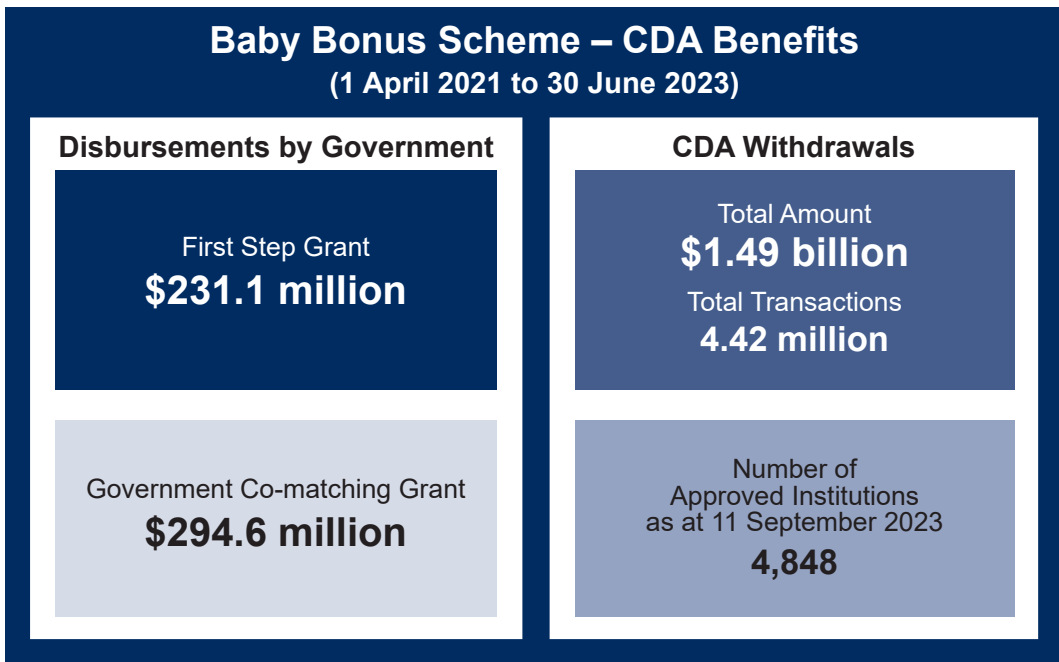
37. The Baby Bonus Scheme comprised the Baby Bonus Cash Gift and CDA benefits. The CDA benefits comprised 2 components: the First Step Grant (FSG) and the Government co-matching of parents' savings into CDA. The FSG was automatically deposited into a child's CDA when the account was opened, without the parent having to save into the CDA first. As for the Government co-matching grant, the parents' subsequent savings into the CDA were matched dollar-for-dollar by the Government, up to a cap. Parents could save moneys into and withdraw from the CDA at any time before 31 December of the year the child turned 12 years old. CDA moneys could be withdrawn only for approved usage at Baby Bonus Approved Institutions (AIs).

38. AGO audited the FSG, the Government co-matching grant and withdrawals of CDA moneys as part of the audit of CDA benefits. The Government disbursed a total of \$525.7 million under the FSG and Government co-matching grants during the audit period 1 April 2021 to 30 June 2023. As for CDA withdrawals, parents/trustees withdrew a total of \$1.49 billion during the audit period. The key statistics relating to CDA benefits under the Baby Bonus Scheme are shown in **Figure 2**.

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<sup>7</sup> MSF used the GPLS system to facilitate processing of GPLS grant applications. The system had built-in validation rules to perform checks to assess whether the applications met the criteria for automatic processing.

Figure 2: Key Statistics of Child Development Account Benefits



39. Parents/trustees could only withdraw moneys from CDAs to purchase eligible items at AIs for the child or his sibling(s). An entity had to first register with MSF to become an AI under a specific category, such as childcare centres, hospitals, clinics, optical shops, kindergartens, and pharmacies. Once an entity had been successfully registered, parents/trustees could then withdraw CDA moneys for approved uses (through GIRO or NETS) at that AI. There were 9 categories of AIs with close to 5,000 AIs in September 2023 as shown in **Table 2**.

Table 2: Number of AIs as at 11 September 2023

S/N	AI Category	No. of AI(s)
1	Healthcare Institution (e.g. Hospital or Clinic)	1,699
2	Infant Care/Childcare Centre	1,674
3	Optical Shop	724
4	Kindergarten	378
5	Pharmacy	182
6	Early Intervention Programme	145
7	Special Education	24
8	Assistive Technology Device Provider	21
9	Insurance	1
<b>Total</b>		<b>4,848</b>

40. For the audit of CDA benefits, AGO test-checked a total of 207 samples covering the various grant stages during the audit period. In addition to the sample checks, AGO performed data analysis where relevant data was available and carried out test checks on possible exceptions. AGO also conducted an audit of the IT application controls over the Baby Bonus Online (BBO) system<sup>8</sup> used to support the scheme.

### **Summary of Audit Observations**

41. AGO noted that in general, MSF had put in place processes and controls across the various grant stages to ensure proper management of GPLS and CDA benefits under the Baby Bonus Scheme. MSF had also put in place several good practices for its management of GPLS and CDA benefits. Those included:

#### **GPLS**

- a. MSF had implemented digital features in its Government-Paid Leave (GPL) Portal<sup>9</sup> to reduce instances of incorrect submissions. During the application submission stage, system checks would be performed and there would be alerts to applicants in situations that failed validation checks. For example, if there was an identical application being processed within the system, the GPL Portal would show an error message to alert the applicant and he would not be allowed to submit the duplicate claim.
- b. MSF had adopted a risk-based approach for processing cases via the GPLS system. Cases that met all system rules were processed and approved automatically via the system and exception cases were flagged by the system for review. Cases that were more complex would be flagged for a 2-level review while the remaining cases would be reviewed by 1 officer. The risk-based approach helped to increase the efficiency of case processing while ensuring adequate oversight over complex cases before grants were disbursed.

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<sup>8</sup> MSF used the BBO system to facilitate processing of applications and enrolments into the Baby Bonus Scheme, and for management of records relating to the scheme.

<sup>9</sup> The GPL Portal was a one-stop portal for the online submission of applications for the various leave schemes under GPLS.

- c. MSF had put in place a structured process to manage conflict of interest situations for vendor staff. Each vendor staff processing GPLS application cases was required to sign a declaration form committing to disclose any potential conflict of interest situation, such as where the staff had a close personal relationship with the grant applicant.

#### CDA Benefits under Baby Bonus Scheme

- d. MSF had implemented system rules in the BBO system to check whether applications met eligibility criteria for automatic processing and approval by the system. Cases which did not meet system rules would be routed to MSF's processing and approving officers for assessment. Data interfaces with the Immigration & Checkpoints Authority and authorised CDA banks were also in place to facilitate automated verification of information so that once applications were approved, the banks could set up CDA quickly for parents to start receiving FSG.
- e. MSF had implemented system validation checks in the BBO system to flag out refunds<sup>10</sup> made by AIs to CDAs for further review. That was to ensure that the Government co-matching grant was given only for parents' savings into CDA and not for refunds made at AIs.

42. While processes and procedures were generally in place, AGO noted that MSF could improve on the following areas:

#### GPLS

- a. Improve the controls and monitoring of GPLS claims to detect potential irregularities, and prevent fraud and abuse of GPLS. AGO recommended that MSF identify and document its assessment of key risks and the mitigating measures, and tap on data analytics to enhance its oversight of disbursements and anomaly detection capabilities.

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<sup>10</sup> For example, if the parent/trustee had requested a refund from an AI for a purchase made using CDA moneys, the AI was required to process the refund by crediting the withdrawn amount back into the CDA.



- b. Review the need for additional system rules or validation checks to enhance the processing of GPLS claims and ensure that system checks in the GPLS system were working as intended.

#### CDA Benefits under Baby Bonus Scheme

- c. Improve the controls over and monitoring of CDA withdrawals to detect possible irregularities, and prevent fraud and abuse of CDA benefits. MSF should identify and document key risks, and tap on data analytics to enhance its oversight of disbursements and anomaly detection capabilities.
- d. Improve the monitoring and oversight of CDA withdrawals by parents/trustees at AIs, including strengthening the processes and workflows with the authorised CDA banks and NETS, to prevent CDA withdrawals at unauthorised entities.
- e. Remind AIs of the eligibility criteria for CDA withdrawals and the need to maintain proper records as stipulated under MSF's terms and conditions for AIs.

43. The key observations are in the following paragraphs.

#### Government-Paid Leave Schemes

##### **Possible Irregularities in Government-Paid Leave Schemes**

44. AGO's data analysis of Government-Paid Maternity Leave (GPML) and Government-Paid Paternity Leave (GPPL) disbursements (totalling \$327.72 million) found 55 cases involving 32 parents and disbursements totalling \$1.16 million with indications of possible abuse of GPLS. For example, there was a significant increase in declared employment income at the start of the leave claim period followed by a significant decrease in the income after the Government-paid leave period was over. There were also parents who had multiple employer claims made for the same child, where those parents were directors and/or shareholders of the employing entity.

45. MSF informed AGO that it had since lodged a police report in relation to the possible abuse of the GPLS, involving 3 of the parents who accounted for 26 of the 55 cases. Those involved disbursements totalling \$0.69 million. MSF is following up on the remaining cases highlighted by AGO. MSF had since blocked the submission of further GPLS claims from the relevant employers while reviews were ongoing.

46. MSF also informed AGO that it was taking a systematic approach to address fraud and abuse of the GPLS. MSF would be revising the reimbursement cap to prevent potential egregious abuse of GPLS where parents made multiple claims at the reimbursement cap through multiple employers. It would also automatically route claims that exhibited irregularities for manual verification before disbursements were made. MSF had completed a scan to identify other potential irregular cases after the AGO audit period and would be following up on those cases. It would also improve the heuristics to identify behaviours that indicate possible fraud or abuse and improve its fraud analytics.

## Lapses in Grant Evaluation

47. AGO's data analysis of 480,118 GPLS cases (disbursements totalling \$760.95 million) noted lapses in the evaluation of 97 cases (disbursements totalling \$0.15 million). Those included disbursements made even though certain eligibility criteria were not met (e.g. age criterion of child, citizenship criterion of child, marriage criterion of parents). Those lapses occurred mainly due to inadequate system checks, or system checks which were not working as intended. As a result, there were 77 cases of over-disbursements (totalling \$0.08 million) and 20 cases of possible over-disbursements (totalling \$0.01 million) as summarised in **Table 3**.

**Table 3: Lapses in Grant Evaluation**

Description of Lapse	No. of Cases	Over-disbursement (\$)	Possible Over-disbursement (\$)
Age Criterion of Child Not Met	51	31,900	-
Citizenship Criterion of Child Not Met	5	18,700	-
Marriage Criterion of Parents Not Met	12	21,700	-
	9	-	6,800
Employer's CPF Contributions above Statutory Cap <i>(Indicating possible errors in the declaration made)</i>	11	-	4,400
Other Lapses in Evaluation	9	3,400	-
<b>Total</b>	<b>77</b>	<b>75,700</b>	<b>-</b>
	<b>20</b>	<b>-</b>	<b>11,200</b>

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

A. Age Criterion of Child Not Met

49. AGO's analysis of 104,358 approved Extended Childcare Leave (ECL) cases (disbursements totalling \$63.26 million) during the period 1 November 2021 to 30 June 2023 found 51 cases where the child did not meet the age criterion. For the 51 cases, the parents started utilising the first Government-Paid Childcare Leave (GPCL) in the year the child was born. Based on the ECL rules, the last ECL should therefore be claimed in the year when the child was 12 years old. However, AGO noted that ECL was claimed for paid leave taken by the parents when the child was 13 years old. The lapses were due to incorrect tagging of the ECL claim by the system. As a result, there were over-disbursements totalling \$31,900.

B. Citizenship Criterion of Child Not Met

50. AGO's analysis of approved GPML cases found 5 cases where the child was not a Singapore Citizen at the material point in time. That resulted in over-disbursements of grants totalling \$18,700.

51. MSF explained that those cases were processed under the old GPLS system, which relied on a declaration-based approach for citizenship dates and that those 5 cases were not among the samples selected by MSF for post-disbursement checks. MSF said that for the current GPLS system, there was a validation check in place to verify the citizenship status of the child.

C. Marriage Criterion of Parents Not Met

52. AGO's analysis of 373,552 claims for GPPL, GPCL and ECL taken by the child's father (disbursements totalling \$326.74 million) from 1 November 2021 to 30 June 2023 found 21 cases where claims were approved, and grants were disbursed although the marriage criterion was not met. Of the 21 cases, MSF's investigations confirmed that 12 cases did not meet the marriage criterion. As a result, there were over-disbursements of \$21,700. MSF would follow up on the refund. As for the remaining 9 cases (disbursements totalling \$6,800), MSF was following up with the applicants to obtain more information.

53. MSF explained that system validation checks on the marriage criterion were not performed during the period when the 21 cases were processed. That was due to technical issues in its Family Status Repository and MSF had instead relied on declarations of eligibility made by the grant applicants.

*D. Employer's CPF Contributions above Statutory Cap*

54. AGO's analysis found lapses in the evaluation of 11 Government-Paid Maternity Benefit and Government-Paid Paternity Benefit cases which were automatically processed in the GPLS system. For those cases, AGO noted that the grant claims were computed based on total income including employer's CPF contribution. However, the declared employer's monthly CPF contribution had exceeded the statutory contribution cap<sup>11</sup> of \$1,020 for ordinary wages. AGO performed a recomputation of the employer's CPF contribution based on data available in the GPLS system and estimated that the total over-disbursements for the 11 cases could amount to \$4,400.

*E. Other Lapses in Evaluation*

55. For the remaining 9 cases with over-disbursements totalling \$3,400, AGO noted:

- a. 5 cases where the grant claims were found to have exceeded the maximum allowable leave days;
- b. 2 cases where grant claims made for the first 3 days of GPCL should have been borne by the employer; and
- c. 2 cases where system bugs had caused incorrect parameters to be used for computing the grant quanta.

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<sup>11</sup> The maximum CPF contribution an employer could make in a month on the monthly gross pay, excluding any variable payments, under the Central Provident Fund Act 1953.

56. MSF informed AGO that for lapses due to incorrect marriage and income declaration, it would be enhancing the system to use Government-verified data for marriage and cap the declared employer's CPF contribution. That would be completed by June 2024. For lapses due to system errors, MSF had enhanced the GPLS system to address the system lapses highlighted by AGO. MSF would also build up more robust test cases to ensure that checks on eligibility criteria were effective, and explore developing a post-reimbursement scan on approved claims to ensure that claims were processed correctly. MSF had commenced recovery actions and aimed to complete recovery by December 2024.

### **Baby Bonus Scheme**

#### **Unusual Withdrawals from Child Development Accounts**

57. Under the Child Development Co-Savings Act 2001, moneys deposited into a child's CDA might only be used to make purchases of approved items or services at AIs either for the benefit of the child or his sibling(s).

58. AGO noted from its test checks on CDA withdrawals that there were unusual patterns of withdrawals from 5 CDAs by 3 parents/trustees during the audit period 1 April 2021 to 30 June 2023. There had been frequent withdrawals (85 withdrawals totalling \$28,900) made from the 5 CDAs within short periods of time, with 1 parent making as many as 20 withdrawals totalling \$15,000 within 3 months. Those purchases were from 1 optical shop and different pharmacies. The frequent withdrawals of moneys and the nature of items purchased (e.g. adult-sized sunglasses) were indications of possible abuse of CDA moneys. AGO's and MSF's follow-up on the unusual patterns of withdrawals also revealed that there could be possible encashment of CDA moneys by 2 of the 3 parents/trustees.

59. MSF informed AGO that since February 2024, it had put in place regular data analytics reports to enable detection and investigation of anomalous transactions. Regular audits on AIs would also be carried out. MSF also informed AGO that it had since lodged a police report against the 3 parents/trustees.

### **Possible Fabrication of Records for Audit Purpose**

60. During the audit, AGO noted tell-tale signs that 2 receipts provided to AGO by an AI as supporting documents for 2 CDA withdrawals could have been created and backdated to meet AGO's request for audit documentation. AGO takes a serious view of any furnishing of false information. In that case, the AI allegedly created records to give the false impression that proper records of the CDA withdrawals were kept or records existed at the material point in time.

61. MSF informed AGO that it took a very serious view of falsification of documents. Besides lodging a police report, MSF had notified the AI that it was commencing investigations for possible breaches of the Child Development Co-Savings Act 2001. It had also prevented the AI from making CDA withdrawals while investigations were ongoing.

### **Inadequate Monitoring of Approved Institutions and Child Development Account Withdrawals**

62. Under the Child Development Co-Savings Regulations and the Approved Person<sup>12</sup>/Approved Institution Terms and Conditions, the Approved Person (AP) of an AI was prohibited from making CDA withdrawals after the AI had ceased operation or was no longer licensed/registered with its governing body. MSF would maintain an AI master list and routinely provide an updated list of AIs and deregistered AIs to the CDA banks and NETS. The CDA banks and NETS were then required to remove deregistered AIs from their systems to prevent CDA withdrawals by unauthorised entities. Parents/trustees could only withdraw moneys from CDAs to purchase eligible items at AIs for the child or his sibling(s).

63. MSF appointed commercial auditors to conduct periodic audits on selected categories of AIs to ensure compliance with MSF's regulations over the use of CDA moneys. MSF would provide the CDA withdrawal records (containing information on which AI the withdrawal was made at) for the auditor to perform sample checks.

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<sup>12</sup> A person who had been approved by the Minister to oversee the administration of CDA transactions for an AI.

64. AGO found that MSF's monitoring mechanisms over the AIs and CDA withdrawals were inadequate, as follows:

- a. Withdrawals made at unauthorised entities not detected;
- b. Errors in AI master list and incomplete CDA withdrawal records;
- c. Withdrawals for unauthorised beneficiaries or for ineligible items; and
- d. Other weaknesses in monitoring of CDA withdrawals.

A. Withdrawals Made at Unauthorised Entities Not Detected

65. AGO found that MSF's monitoring mechanisms were inadequate in detecting withdrawals made at unauthorised entities. AGO's data analysis found CDA withdrawals made at 31 unauthorised entities. The withdrawals were made at entities which had been deregistered as AIs or had not ever been registered as AIs.

66. MSF investigated and confirmed that the 31 entities had made a total of 12,706 CDA withdrawals (totalling \$1.69 million<sup>13</sup>):

- a. For 28 entities, 12,452 CDA withdrawals (totalling \$1.63 million) were made after they no longer qualified as AIs, e.g. after expiry of the medical clinic licences issued by the Ministry of Health.
- b. For 3 entities where 254 CDA withdrawals (totalling \$64,300) were made, those entities had not ever been AIs but made CDA withdrawals using the NETS terminals of AIs which had ceased operations. For example, a retail outlet which was not an AI, had used the NETS terminal of another outlet (formerly an AI) under the same chain. That was after the latter had ceased operations.

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<sup>13</sup> That represented 0.1% of the total amount withdrawn from CDAs in the audit period.



67. MSF explained that the deregistered AIs and non-AIs were able to make CDA withdrawals via NETS due to the late deactivation of the Baby Bonus feature in the NETS terminals of deregistered AIs. MSF had since deactivated the CDA NETS or GIRO withdrawal feature for entities that were no longer AIs. MSF added that it had rectified all outdated/missing/inaccurate AI records in the NETS' systems, so that future CDA withdrawals would be accurately captured. MSF was working with NETS to automate the onboarding and deactivation of AIs. It had also implemented monthly reports since February 2024 to flag erroneous AI information for follow-up. From May 2024, it would start to recover CDA withdrawals made at unauthorised entities where those were not for the benefit of the child or his sibling(s), or not for approved uses. MSF was also checking for other such withdrawals outside of the AGO audit period. Where appropriate, action would be taken against AIs or APs who had breached the Baby Bonus Scheme's terms and conditions.

*B. Errors in AI Master List and Incomplete CDA Withdrawal Records*

68. In following up on potential CDA withdrawals by deregistered AIs, AGO's test checks found the following errors in MSF's AI master list:

- a. 17 entities where the deregistration dates in the AI master list were significantly later than the expiry dates of the licences with the relevant governing bodies (e.g. medical clinic licences issued by the Ministry of Health and pharmacy licences issued by the Health Sciences Authority).
- b. 5 entities' statuses were wrongly updated as "*Ceased Operation*" although they were still in operation.

69. AGO also found that MSF's records on 1.02 million CDA withdrawals during the audit period 1 April 2021 to 30 June 2023 (or 23% of 4.42 million withdrawals) were incomplete. The records lacked sufficient information (such as AI identifier numbers and categories of AI) to allow MSF to trace which AIs the CDA withdrawals were made at. AGO noted that MSF did not provide those records to its commercial auditors for their selection of samples for audit checks. MSF explained that the incomplete information could be due to: (i) AIs not using the corporate bank accounts registered with MSF; (ii) NETS providing wrong or missing AI identifier numbers for NETS transactions; or (iii) CDA withdrawals made by entities which were not AIs.

70. MSF informed AGO that it had comprehensively reviewed the systems and processes for management of AI records and was making improvements to ensure AI information captured in transaction records was accurate and up-to-date. Since December 2023, it had performed monthly checks against ACRA records to ensure that AIs with invalid UENs were promptly deregistered. It was also working with the respective regulatory bodies to obtain updated licence details on a regular basis, to ensure that the AI master list was up-to-date. MSF also informed AGO that it would provide commercial auditors with the complete set of CDA transactions for future audits.

*C. Withdrawals for Unauthorised Beneficiaries or for Ineligible Items*

71. AGO found that MSF's monitoring mechanisms were inadequate in detecting unauthorised use of CDA moneys. AGO's test checks of 186 CDA withdrawals (totalling \$100,200) found 67 withdrawals where CDA moneys (totalling \$36,900) were used for unauthorised beneficiaries or ineligible items. Of the 67 withdrawals, 62 withdrawals were for unauthorised beneficiaries such as the child's grandmother and 5 withdrawals were for ineligible items such as preschool enrichment classes.

72. MSF informed AGO that it would require the AP and/or CDA trustee to refund into the CDA those withdrawals where CDA moneys were used for unauthorised beneficiaries or ineligible items. Where appropriate, MSF would investigate the AP and/or trustee, and prevent the AP from allowing further CDA withdrawals. MSF added that it would send regular notices to remind AIs on their obligations under the Baby Bonus Scheme (e.g. verify whether the item purchased was eligible) and would conduct regular audits on AIs.

*D. Other Weaknesses in Monitoring of CDA Withdrawals*

73. AGO also noted instances where the CDA banks and NETS had incorrectly tagged CDA withdrawals to wrong entities. The banks and NETS had tagged CDA withdrawals totalling \$13 million made at 193 active AIs, to deregistered AIs. Such incorrect tagging would hinder MSF's ability to properly monitor CDA withdrawals. MSF informed AGO that it would be working with the banks and exploring alternative payment methods such as PayNow which could support accurate tagging of AI information. MSF added that it had rectified all outdated/missing/inaccurate AI records in NETS' systems, so that future CDA withdrawals would be accurately captured.

74. For 1 AI with incorrect tagging of CDA withdrawals, MSF investigated and found tell-tale signs of possible misuse of CDA moneys. MSF had suspended the AI and deactivated its NETS Baby Bonus feature, and subsequently lodged a police report.

75. AGO also noted that while MSF had engaged commercial auditors to audit CDA withdrawals at AIs, not all categories of AI were included in the audits. For example, no audits had been conducted on CDA withdrawals at optical shops since 2018. MSF informed AGO that it would conduct regular audits on AIs, including optical shops, to ensure compliance.

76. AGO's test checks of 208 CDA withdrawals noted poor record-keeping for 165 withdrawals (totalling \$71,500) by 16 AIs, including 6 AIs visited by AGO. There were incomplete records (e.g. missing CDA account numbers and invoices/receipts) for 130 withdrawals and no records kept for the remaining 35 withdrawals. In addition, in interviews conducted during AGO's site visits to the 6 AIs, all informed AGO that they did not maintain any written record of the parent/trustee's declaration of familial relationship or of their verification checks on withdrawals above \$500 for the benefit of the child's siblings although required by MSF. Without an audit trail of documents such as the invoice or the parent/trustee's declaration to substantiate the validity of CDA withdrawals, MSF would not be able to check whether CDA withdrawals were for approved uses.

77. MSF agreed that good record-keeping practices among APs were essential to ensuring proper accountability. MSF informed AGO that regulatory actions, including composition fines would be taken against APs/AIs for breaches of regulations and the Baby Bonus Scheme's terms and conditions. Sterner action such as suspension/revocation and prosecution would be taken for more severe lapses. MSF would conduct regular engagement with APs starting from the second half of 2024 to educate them on their obligations and to share about the non-compliances observed.

## Weaknesses in IT Controls

### A. IT General Controls

78. AGO reviewed the UNIX Operating System (OS) Security Software<sup>14</sup> (i.e. “sudo”) configurations in the 3 application servers of the GPLS system. AGO found that there was no evidence of detailed assessment performed on privileged access granted to 3 OS user accounts to execute all commands with the privileges of the “root” account. There was also no review carried out on the “sudo” configurations. That resulted in MSF not being able to detect that 1 of the 3 OS user accounts (which had “root” privileges and had not been used since its creation in November 2021) was redundant and should have been removed from the “sudo” configurations. The “root” account had full access privileges to make changes to the OS audit logs, OS user access and OS security settings. Any unauthorised activity carried out using the privileges of the “root” account could lead to the unavailability of GPLS application servers, thereby affecting operations such as the processing of applications.

79. MSF informed AGO that it had since fully adhered to the Government Technology Agency (GovTech)’s advisory, with “sudo” restrictions put in place since March 2024. MSF had included all accounts within the “sudo” configuration file as part of the GPLS monthly privileged access review.

### B. IT Application Controls

80. AGO carried out an audit on the IT application controls of the GPLS system. AGO’s checks on the monthly reviews performed on privileged user activities for the period August 2022 to June 2023 noted the sharing of a privileged account between 2 users. The account sharing would mean that each privileged activity performed would not be traceable to the user who performed the activity. In addition, there were weaknesses in the monthly review of privileged user activities as the log reports used for the reviews did not contain sufficient details on the privileged user activities carried out. The log reports were also incomplete as they did not capture privileged user activities performed in a particular system module (i.e. the “critical” module)<sup>15</sup>. As a result, the monthly reviews of privileged user activities were ineffective. That might increase the risk of unauthorised activities/changes made to the system not being detected.

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<sup>14</sup> The UNIX OS Security Software was a program which allowed users to assume the privileges of any user account, without having full access to the account, to execute certain commands.

<sup>15</sup> The “critical” module was mainly used for the modification of system rules.

81. For its IT application audit of the BBO system, AGO noted that the privileged users were granted access rights in excess of what they needed for their job roles, thereby exposing MSF to the risk of unauthorised access and activities. AGO also found that MSF did not perform any review on the privileged user activities during the audit period April 2021 to June 2023, which exposed MSF to the risk of not detecting unauthorised access/activities, if any, on a timely basis.

82. For the GPLS system, MSF informed AGO that all appointment holders of privileged accounts would be assigned to a unique individual. On the monthly review of privileged user activities, MSF had since improved its practices from March 2024 by conducting more detailed reviews using the existing reports. In addition, the audit logging would be enhanced by June 2024 to address the limitations in the “critical” module.

83. For the BBO system, MSF had removed the excess rights granted to the privileged users with effect from 14 March 2024. In addition, MSF had implemented monthly reviews of privileged user activities since March 2024. It would also enhance the annual review to include review of access control matrix rights of privileged users by June 2024.

## EARLY CHILDHOOD DEVELOPMENT AGENCY

84. ECDA is the regulatory and developmental agency for the early childhood sector and oversees key aspects of children’s development across infant care centres, childcare centres and kindergartens (hereinafter referred to as “preschool centres”). ECDA is jointly overseen by MOE and MSF. AGO selected the following schemes under ECDA for audit: Infant Care and Childcare (IC/CC) subsidies, Kindergarten Fee Assistance Scheme (KiFAS), and the Anchor Operator (AOP) and Partner Operator (POP) schemes.

### **Infant Care and Childcare Subsidies and Kindergarten Fee Assistance Scheme**

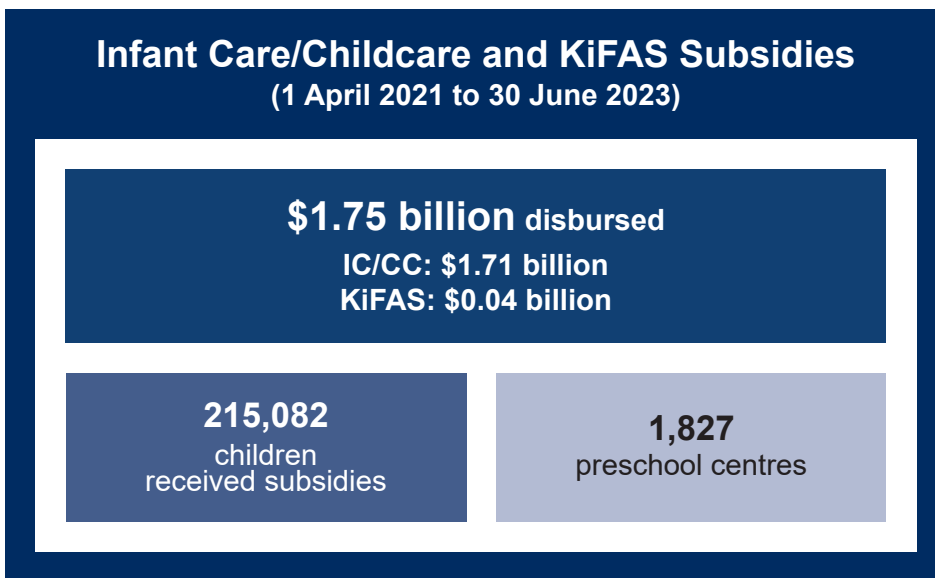
85. The Government had in place IC/CC subsidies to enhance affordability of preschool education for Singaporeans. Parents with Singapore Citizen children enrolled in licensed preschool centres could apply for a Basic Subsidy of up to \$600 per month for full-day infant care, and up to \$300 per month for full-day childcare. Basic Subsidy rates were determined based on the applicant’s employment status and the type of programme the child was enrolled in at the preschool centre. Working mothers with gross monthly household income of \$12,000 and below, or per capita income (PCI) of \$3,000 and below were eligible for the Additional Subsidy, on top of the Basic Subsidy. Additional Subsidy was means-tested where lower income families would receive more subsidies.

86. In addition, low and middle-income households were eligible for financial assistance through KiFAS. The scheme was available to a Singaporean child, enrolled in an anchor operator’s preschool centre or MOE Kindergarten, whose family had a gross monthly household income of \$12,000 and below, or PCI of \$3,000 and below. KiFAS subsidy was means-tested and the maximum KiFAS subsidy amount that could be accorded to each child was \$161 a month.

87. The IC/CC and KiFAS subsidies were directly disbursed to the operator of the preschool centre where the child was enrolled in, and the applicant only needed to pay the net fee to the preschool operator after deducting all subsidies and financial assistance.

88. During the audit period 1 April 2021 to 30 June 2023, the Government disbursed a total of \$1.75 billion in IC/CC and KiFAS subsidies, benefiting 215,082 children enrolled in 1,827 preschool centres. The key statistics are shown in **Figure 3**.

**Figure 3: Key Statistics of Infant Care/Childcare and KiFAS Subsidies**



89. For the audit of IC/CC and KiFAS subsidies, AGO test-checked a total of 426 samples covering the various grant stages during the audit period. In addition to the sample checks, AGO performed data analysis where relevant data was available and carried out test checks on possible exceptions. AGO also conducted an audit of the IT general controls and application controls over the Centre Management System (CMS)<sup>16</sup> used to support the schemes.

<sup>16</sup> CMS was an online platform to support preschool centres in their transactions with ECDA, such as application and renewal of licence, child enrolment and subsidy application. MSF supported ECDA in overseeing this system, including managing the external IT vendor staff.

### **Anchor Operator and Partner Operator Schemes**

90. The AOP and POP schemes were introduced to enhance the accessibility, affordability and quality of early childhood services. The AOP scheme was implemented in 2009 to provide funding support to operators to increase access to good quality and affordable early childhood care and education, especially for children from lower income or disadvantaged backgrounds. The AOP scheme provided funding support to 5 large preschool operators<sup>17</sup> (i.e. anchor operators) at the time of AGO's audit. With the AOP funding, the operators were to:

- a. Keep to a monthly fee cap of \$1,235, \$680 and \$150 for full-day infant care, childcare and kindergarten programmes respectively, and ensure any fee increase was kept affordable for parents.
- b. Invest in improving the quality of early childhood care and education through the Singapore Preschool Accreditation Framework (SPARK).
- c. Support continuing professional development and career progression opportunities for early childhood professionals.

91. The POP scheme supported appointed preschool centres to improve the accessibility, affordability, and quality of infant care and childcare services. The scheme commenced in 2016 and supported 29 mid-sized preschool operators (i.e. partner operators) at the time of AGO's audit. With the POP funding, the operators were to:

- a. Keep to a monthly fee cap of \$1,290 and \$720 for full-day infant care and childcare programmes respectively and ensure any fee increase was kept affordable for parents.
- b. Invest in improving the quality of early childhood care and education through SPARK, and in strengthening organisational capabilities.
- c. Support continuing professional development opportunities for centre leaders and preschool educators.

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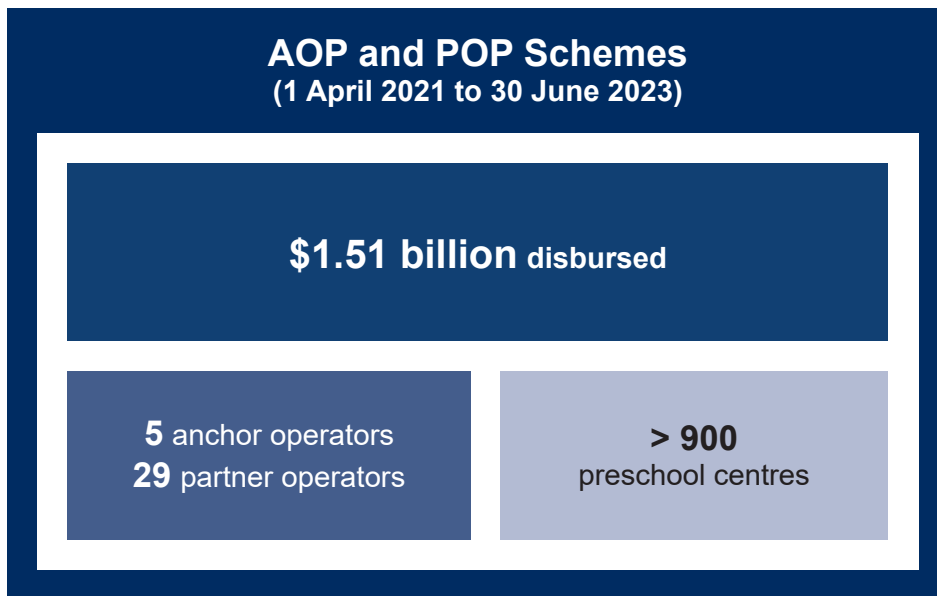
<sup>17</sup> PCF Sparkletots Preschool, My First Skool, MY World Preschool, Skool4Kidz, and E-Bridge Pre-School.



92. MSF is the policy owner for the AOP and POP schemes and ECDA is the implementing agency.

93. The Government disbursed a total of \$1.51 billion under the AOP and POP schemes during the audit period 1 April 2021 to 30 June 2023. More than 900 preschool centres run by 5 anchor operators and 29 partner operators were supported under those schemes. The key statistics relating to AOP and POP schemes are shown in **Figure 4**.

**Figure 4: Key Statistics of Anchor Operator and Partner Operator Schemes**



94. For the audit of AOP and POP schemes, AGO test-checked a total of 93 samples covering the various grant stages during the audit period. In addition to the sample checks, AGO performed data analysis where relevant data was available and carried out test checks on possible exceptions. AGO also conducted an audit of the IT general controls and application controls over the CMS used to support the schemes.

### **Summary of Audit Observations**

95. AGO noted that in general, ECDA had put in place processes and controls across the various grant stages to ensure proper management of IC/CC and KiFAS subsidies, and the AOP and POP schemes. AGO observed that ECDA had also put in place several good practices, including the following:

- a. ECDA implemented system rules in CMS to identify subsidy applications eligible for automatic processing and approval by the system, and to automatically compute the quantum of subsidies to be given. Data interface with other Government data sources was also in place to facilitate automated verification of information in applications and assessment of eligibility. The initiatives helped to shorten the processing time of subsidy applications. In addition, in the event of a child's withdrawal from a preschool centre, the system was programmed to automatically initiate recovery of over-disbursed subsidies, if any, based on the child's last day of attendance.
- b. ECDA conducted regular bilateral meetings with each of the 5 anchor operators (2 to 3 times a year). Those meetings were attended by senior management on both sides. Items discussed included operational issues and the monitoring of operators' achievement of key performance indicators.

96. While processes and procedures were generally in place, AGO noted that ECDA could improve on the following areas:

#### **IC/CC and KiFAS Subsidies**

- a. Improve controls over and monitoring of IC/CC and KiFAS subsidies to detect anomalies and mitigate the risk of erroneous grant disbursements. AGO recommended that ECDA identify and document key risks, and tap on data analytics to enhance its oversight of disbursements and anomaly detection.

- b. Remind preschool centres of ECDA's requirements (e.g. report programme fees net of discount, verify information provided in subsidy application form) and ensure accurate information was entered into CMS. ECDA should also remind preschool centres of the need to maintain proper records as required under ECDA's Code of Practice.

#### AOP and POP Schemes

- c. Improve controls over and monitoring of grant claims by anchor and partner operators to detect ineligible claims. ECDA should also consider making it clearer as to which cost items were eligible for funding under AOP scheme (e.g. the types of staff bonus payments and the salary costs of headquarters [HQ] functions that were eligible).
- d. Take proactive action to address the timeliness of ECDA-commissioned audits on anchor and partner operators. AGO observed long delays in the completion of audits, ranging from 8 months to 2.8 years. ECDA should ensure that audits were completed on time. That would allow timely follow-up on issues identified by the audits, including recovery of overpayments, if any, from the operators. As ECDA's practice was to withhold a portion of grants until after audit reports were completed, the timely completion of audits would also ensure timely release of moneys to operators. That would ensure that operators' cash flows (particularly for smaller-sized operators) were not affected.

97. The key observations are in the following paragraphs.

## **Infant Care and Childcare Subsidies and Kindergarten Fee Assistance Scheme**

### **System Errors Affecting Eligibility Assessment and Subsidy Computation**

98. AGO carried out data analysis on 121,276 cases automatically processed by the CMS and found system errors affecting the assessment of income eligibility and computation of subsidies for 869 cases. For 45 of those cases, the system errors resulted in over-disbursements totalling \$26,900 and under-disbursements totalling \$1,300. As for the remaining 824 cases, there was a lack of assurance on the accuracy of subsidies given out (disbursements totalling \$1.76 million) as invalid NRIC numbers or FINs of household members provided for income assessment were not detected. Consequently, there was a lack of assurance that the assessments were done correctly.

99. To apply for IC/CC and KiFAS subsidies, an applicant had to fill in a form to provide information on the main applicant, their spouse and/or family members (e.g. marital status, residential address and work status), and make a declaration that the information given was true and accurate. CMS would obtain relevant information from other Government agencies, screen the applications, and assess the eligibility (e.g. declared family members who were residing with the main applicant) and quanta of subsidies. Households with 5 or more family members (including 3 or more dependants) could be assessed based on PCI to qualify for higher Additional Subsidy.

100. The system errors observed by AGO are shown in **Table 4**.

**Table 4: Summary of System Errors**

Type of System Error	No. of Assessments	Over-disbursement/ (Under-disbursement) (\$)
Invalid identity numbers of family members provided for PCI assessment not detected	824	<i>Unable to determine</i> <sup>18</sup>
Household income or PCI incorrectly computed	22	22,900
Family members residing with the main applicant wrongly excluded from PCI assessments	4	(1,300)
Family members not residing with the main applicant wrongly included in PCI assessments	4	500
Family members included in PCI assessments not sent for screening checks	3	500
PCI assessment used for ineligible households	12	3,000
<b>Total</b>	<b>869</b>	<b>26,900 (1,300)</b>

101. For cases where CMS failed to detect invalid identity numbers of family members that were declared by applicants in the system, the errors arose because the system logic to flag invalid identity numbers was not working as intended. As a result, a total of 862 family members with invalid identity numbers were included in 824 PCI assessments without verification checks on whether they met the eligibility criteria. Without such verification, there was no assurance that the PCI assessments were done correctly and the means-tested Additional Subsidy and KiFAS subsidies given for the 824 cases were accurate.

<sup>18</sup> Subsidies disbursed for these cases totalled \$1.76 million.

102. ECDA informed AGO that it had established that 801 out of 824 cases were bona fide individuals who qualified as family members for PCI assessment. For the remaining 23 cases, ECDA would establish their details by July 2024.

103. ECDA also informed AGO that it had since updated the system logic. To enhance the robustness of the preschool subsidy system, ECDA would onboard the Household Means Eligibility System (HOMES) by December 2024. HOMES was a national means-testing system for Government agencies to administer more consistent, efficient and accurate means-testing across public schemes. HOMES would provide better system integrity while giving subsidy applicants greater consistency in income assessment across schemes. In the interim, ECDA would carry out periodic analysis of disbursement data vis-à-vis screened income and PCI screening details to ascertain the accuracy of eligibility assessments. It would also conduct reviews to determine if there were other cases affected by the same system errors.

### **Subsidies Given for Ineligible Children**

104. AGO carried out data analysis on IC/CC and KiFAS subsidies disbursed for 215,082 children and found that 8 subsidy applications (for 6 children<sup>19</sup>) were approved although the children were not Singapore Citizens at the point of assessment. That resulted in over-disbursements totalling \$43,500.

105. ECDA informed AGO that the system checks on child's citizenship were deactivated from June 2020 to April 2022 due to false positives which arose from data limitations. AGO noted that 6 out of the 8 subsidy applications were approved during the period when system checks were deactivated. While ECDA had conducted 2 mass reviews of enrolments during the deactivation period, those 6 cases were not detected during the reviews. For the remaining 2 cases, 1 was wrongly approved by CMS, and the other case was processed prior to implementation of CMS but was not detected by manual checks implemented by ECDA then.

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<sup>19</sup> There were 2 children with 2 applications each.

106. ECDA informed AGO that the checks to establish child's citizenship had been re-activated in the system since April 2022. ECDA said that it was confirming the citizenship status of the 6 children during their subsidy disbursement period and would recover any over-disbursements by December 2024. ECDA also informed AGO that once it onboarded HOMES by December 2024, HOMES would undertake the assessment of all children's citizenship status.

### **Non-declaration of Fee Discounts Resulting in Over-disbursement of Subsidies**

107. AGO's test checks of 69 preschool centres found 2 centres which did not declare that significant discounts were given for programme fees for 8 children enrolled in the centres. That was not in compliance with ECDA's requirement for preschool centres to indicate the programme fees net of any discount given. As a result, there were over-disbursements totalling \$19,400.

108. Of the 8 children, AGO noted that 5 were children of the company directors/principal of the 2 preschool centres (2 and 3 children respectively). For another 2 children, the parents were staff of the preschool centre. For the remaining child, the parent was the principal of another branch within the same group of preschool centres.

109. ECDA's rules stated that preschool centres were to indicate the amount of programme fees "*less discount if applicable*". However, AGO found that the 2 preschool centres did not declare the significant discounts given, ranging from \$520 to \$910 (or 36% to 65% of the monthly programme fees) for the 8 children when submitting the subsidy applications to ECDA. That resulted in over-disbursements of about \$19,400 during the audit period. The period of over-disbursement of subsidies for the 8 children ranged from 5 to 26 months.

110. ECDA informed AGO that for the 2 centres highlighted, it had already commenced recovery of subsidies. ECDA also informed AGO that since April 2023, it had updated the audit guidelines to include checks against the fees entered via the CMS as part of ECDA's regular audit of preschool centres as well as the centres' own financial audit. ECDA had also updated the ECDA Code of Practice in December 2023 to require preschool centres to account for all applicable discounts when updating their programme fees in the subsidy application forms and CMS.

## **Lapses in Processing of Subsidy Applications and Lack of Proper Documentation**

111. AGO test-checked IC/CC and KiFAS subsidies given for 345 children across 69 preschool centres during the audit period. AGO found preschool centres with lapses in their processing of subsidy applications and/or did not keep proper documentation of applications processed.

112. AGO noted lapses in processing subsidy applications by 39 preschool centres<sup>20</sup> (subsidies disbursed totalling \$52,300). As a result, there were over-disbursements of about \$8,600. A summary of the cases is as follows:

- a. 16 preschool centres incorrectly excluded GST and/or fee discounts from the programme fees for some children when submitting their subsidy applications in CMS, resulting in differences between the fees recorded in CMS, and the actual fees charged and paid by parents/guardians;
- b. 5 preschool centres failed to indicate in CMS that the applicant had selected the PCI assessment option for subsidy applications for some children, and thus processed the cases using another income assessment method instead;
- c. 20 preschool centres had inconsistencies between information keyed into CMS and the information in subsidy application forms for some children (e.g. the parent's work status), hence possibly affecting the amount of subsidy; and
- d. 21 preschool centres had used an older version of the form to process subsidy applications for some children, and that form did not capture additional details (e.g. whether applicant was receiving other Government financial assistance) required in the newer form.

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<sup>20</sup> Some preschool centres had more than 1 lapse.



113. AGO also noted lapses in the documentation maintained by 33 preschool centres<sup>20</sup>. The preschool centres had not adhered to ECDA's Code of Practice which stated that records of the children and details of their parents/guardians had to be retained for 3 years from the date the child was withdrawn, or had graduated, from the preschool centre. A summary of the cases is as follows:

- a. 22 preschool centres could not provide subsidy application forms or supporting documents (e.g. payslips of parents) for some children;
- b. 17 preschool centres had incomplete application forms, with important fields such as programme fees and date of enrolment left blank for some children;
- c. 3 preschool centres were unable to provide supporting documents such as receipts for programme fees paid for some children in the months test-checked by AGO; and
- d. 3 preschool centres were unable to provide attendance records<sup>21</sup> for some children during the months which AGO test-checked.

114. ECDA acknowledged the lapses and informed AGO that it would enhance the current risk-based approach for audit by adopting machine learning techniques to detect centres of higher risk. ECDA would continue to leverage existing meeting platforms with operators to provide feedback on their subsidy administration so that they could take steps to reduce the likelihood of errors.

115. ECDA added that the issues identified by AGO would largely be addressed when its Service Journey Review (SJR) was implemented by December 2024. With the SJR, parents could transact directly with ECDA via digital means for subsidy application without going through the preschool centres. This would reduce the likelihood of errors and lapses by centres and improve the efficiency and accuracy of subsidy disbursements to the beneficiaries.

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<sup>21</sup> Those records were necessary to determine whether the child had fulfilled the attendance requirement to qualify for subsidies.

### **Possible Irregularities in Documents Furnished for Audit**

116. During the course of the audit, AGO noted tell-tale signs that 11 subsidy application forms provided by 9 preschool centres as supporting documents for subsidies might have been created, altered and/or backdated subsequent to audit queries. AGO takes a serious view of any creation of documents to give the false impression that the forms were properly completed or existed at the material point in time.

117. ECDA informed AGO that it took a serious view of improper creation and/or alteration of documentation by centres and had done a thorough investigation of the 11 cases surfaced by AGO. ECDA had established that there was no fraud involved and those cases were genuine enrolment of children eligible for subsidies. Nevertheless, ECDA had issued warning letters to the 9 centres. It would also use these examples to remind all centres that they must put up the necessary forms to update any changes. ECDA would also remind centres that should there be any indications of fraud, ECDA would not hesitate to refer such cases to the Police.

### **Weaknesses in Centre-level Audit Controls**

118. Preschool centres were required by ECDA to engage a certified commercial auditor to audit the centre's subsidy claims annually or upon cessation of the centre's business. The audit report and relevant supporting documents were to be submitted to ECDA via CMS. CMS would automatically withhold subsidy disbursements if the preschool centre had not submitted the audit report.

119. AGO found weaknesses in audit controls for 10 out of the 69 centres test-checked. The lapses included centres' failure to submit the required audit reports, incorrect declarations of audit findings and failure to adjust for incorrect subsidies flagged in audit findings. Other lapses included discrepancies in the commercial auditors' reports. For example, audit procedures that were indicated in the reports were not in accordance with ECDA's requirements. Those were not detected by ECDA.

120. AGO also noted that ECDA did not withhold subsidies (totalling \$111,400) for 2 of the preschool centres that did not submit the audit reports for KiFAS subsidies for 2 financial years. ECDA informed AGO that those centres, which received both IC/CC and KiFAS subsidies, had submitted only the audit reports for IC/CC subsidies but not that for KiFAS subsidies. A system processing gap in CMS had failed to block the disbursement for KiFAS subsidies.

121. Without effective monitoring to ensure that centre-level audits were performed in accordance with ECDA's requirements and audit findings were accurately declared, ECDA would not be able to rely on such audits to ensure that preschool centres had complied with its requirements. There was also the risk of incorrect disbursements of subsidies not being detected.

122. ECDA informed AGO that it would refine the system logic to include centres that received both childcare and KiFAS subsidies, and to withhold the subsidies if the centre omitted to submit any of the audit reports. In addition, ECDA would implement Artificial Intelligence solutions by June 2025 to check if observations in the annual audited reports were aligned with the centre's declaration. If there were discrepancies, those cases would be routed to ECDA for verification. ECDA was also following up with the preschool centres highlighted by AGO and would close off the findings by December 2024.

## **Anchor Operator and Partner Operator Schemes**

### **Ineligible Grant Claims**

123. AGO's checks found instances where ineligible grant claims submitted by 7 operators were approved for disbursement. Those included claims for non-qualifying salary components such as centre-based staff bonuses and salary costs of senior management at the operators' HQ. As a result, there were over-disbursements of grants amounting to \$272,100 after factoring in the grant caps.

124. A summary of the grant amounts over-disbursed is shown in **Table 5**.

**Table 5: Amounts Over-disbursed (1 April 2021 to 30 June 2023)**

Category of Ineligible Grant Claim	No. of Operator(s) Involved	Claim Amount Involved (\$)	Amount of Over-disbursement (After Factoring in Grant Cap) (\$)
Anchor Operator (AOP) Operating Grant (Bonus)	3	5,690,500	-
AOP HQ Grant	4	2,924,600	157,700
AOP Malay and Tamil Language Grant	3	128,700	91,300
Partner Operator (POP) Corporate Capability Grant	1	19,700	19,700
POP Operating Grant (Bonus)	1	3,400	3,400
<b>Total</b>	<b>7<sup>22</sup></b>	<b>8,766,900</b>	<b>272,100</b>

*A. AOP Operating Grant (Bonus)*

125. The AOP Operating Grant (Bonus) was provided to reimburse a percentage of the centre-based staff<sup>23</sup> bonus payments, subject to a grant cap. AGO's analysis of bonus claims and test checks noted ineligible claims totalling \$5.69 million from 3 operators. The claims included non-qualifying one-off bonuses that were not linked to key performance indicators of staff/centre/operator and bonuses for Malay and Tamil Language teachers already funded under a separate grant. The ineligible claims did not result in any over-disbursements because the eligible claims far exceeded the grant cap.

<sup>22</sup> The total would not be the sum of all the operators involved as some operators were in more than 1 category.

<sup>23</sup> Staff who performed centre-based functions at the preschool centres, excluding teachers who had been assigned to teach the Malay or Tamil Language exclusively.

*B. AOP HQ Grant*

126. The AOP HQ Grant was provided to reimburse a percentage of the manpower costs incurred to support certain HQ functions, subject to a grant cap. AGO's analysis found that HQ Grant claims (totalling \$1.66 million) were made for senior management roles that did not qualify for the grant, leading to over-disbursements totalling \$157,700. In addition, ECDA was unable to provide AGO with documents to show that an operator had met ECDA's condition for funding of a selected group of staff (grants totalling \$1.27 million).

*C. AOP Malay and Tamil Language Grant*

127. The AOP Malay and Tamil Language Grant was provided to encourage anchor operators to conduct Malay or Tamil Language classes. AGO's test checks of 13 preschool centres' claims found ineligible claims by 6 centres, involving 3 operators, resulting in over-disbursements totalling \$91,300. Those claims included claims for classes conducted by teachers without the prescribed qualifications, or classes that did not meet funding requirements.

*D. POP Corporate Capability Grant*

128. The POP Corporate Capability Grant reimbursed a percentage of the costs for job roles which supported new or enhanced corporate capabilities of the operators, subject to a grant cap. AGO's test checks of 5 funded staff found 1 staff whose job role had changed but the operator did not obtain ECDA's prior approval for the change. That resulted in an over-disbursement of \$19,700.

*E. POP Operating Grant (Bonus)*

129. The POP Operating Grant (Bonus) was provided to reimburse a percentage of the staff bonuses, subject to a grant cap. AGO's test checks of claims by 4 operators found that 1 operator had made 7 claims for ineligible payments, resulting in an over-disbursement of \$3,400. Those included claims for non-qualifying allowances and claims that were higher than the actual bonus paid.

130. It is important for ECDA to ensure that there are adequate controls in place to detect ineligible grant claims and prevent wrong disbursement of grants. ECDA should also review its Funding Guidelines issued to the operators to make the eligibility criteria more explicit (e.g. the types of staff bonus payments and the salary costs of HQ functions that were eligible).

131. ECDA informed AGO that it had taken immediate steps to recover the over-disbursements and had issued stern reminders to operators on the ineligible grant claims. It had since recovered some of the over-disbursements and would complete recovery of the remainder by September 2024. ECDA had also revised its Funding Guidelines to make clearer the eligibility criteria for AOP Operating Grant for staff bonuses and HQ Grant. ECDA would further enhance its disbursement checks and scope of ECDA-commissioned audits to detect ineligible claims.

### **Delays in Processing and Disbursement of Grants**

132. AGO's test checks of 80 disbursements (totalling \$877.28 million) noted delays in ECDA's processing and disbursement of 25 grant claims submitted by operators (totalling \$248.24 million) during the audit period. The time taken to process and disburse the grants (from the time of receipt of all required documents, including clarifications, from the operators to the date of disbursement) ranged from 55 to 136 days. That exceeded the 45-day timeframe stipulated in the Funding Agreements. Long delays in processing and disbursement of grants might affect operators' cash flows, especially for smaller-sized operators.

133. Of the 25 disbursements with delay, 15 disbursements (totalling \$241.60 million) pertained to grants given to anchor operators which ECDA took between 55 and 136 days to process and disburse. For the remaining 10 disbursements (totalling \$6.64 million) pertaining to grants given to partner operators, ECDA took between 55 and 79 days to process and disburse the grants. AGO noted that the delays were due mainly to bulk processing of claims by ECDA. For both AOP and POP schemes, ECDA's practice was to wait until all claims had been evaluated before consolidating them into a single batch for approval and disbursement. Hence, if there was a delay in evaluation of any operator's grant claims (e.g. due to an operator's late submission of documents), it would result in delays in grant disbursements for the rest of the operators.

134. ECDA informed AGO that it had revised the disbursement workflow since June 2023 to disburse grants to partner operators in batches instead of consolidating claims into a single batch. As for anchor operators, ECDA disbursed the grants in 2 tranches, with the second tranche already disbursed in batches. Since April 2024, ECDA had revised its workflow to disburse the first tranche in batches as well.

135. ECDA acknowledged the impact of delays in grant disbursements on the operators' cash flow. ECDA informed AGO that it aimed to improve the process and disburse 85% of claims within the 45-day timeframe and closely track the remainder that, due to complexity or system issues, exceeded the 45-day period.

### **Audits Not Completed on Time and Poor Follow-up on Delays**

136. ECDA appointed commercial auditors to perform annual audits on the anchor and partner operators to ascertain the accuracy of grant claims made and the operators' compliance with the terms and conditions of their respective Funding Agreement with ECDA. ECDA's practice was to withhold a portion of the grant to be released to the operators until (i) the annual audit reports were completed; and (ii) ECDA had ascertained if any of the audit observations warranted deductions of grants.

137. AGO noted that many of the audits were completed late, with delays ranging from 8 months to 2.8 years after the audit reports were due. AGO also noted that ECDA staff did not take prompt action to resolve the delays. As a result of the delays in audit completion, grant disbursements (totalling \$24.83 million) which depended on the results of the audits were not disbursed to the operators as at December 2023. Those delays in disbursements might affect operators' cash flows (particularly for smaller-sized operators). In addition, delays in the completion of audits would delay ECDA's follow-up on lapses or weaknesses identified in the audits, including recovery of overpayments from the operators, if any.

138. For the annual audits of the 5 anchor operators, AGO noted delays in the completion of the annual audits by the commercial auditor for 3 consecutive years, i.e. audits for the years 2020 to 2022. The delays ranged from 1.3 years to 2.8 years. ECDA explained that the commercial auditor had been slow in responding to ECDA. However, AGO noted that there were periods of inactivity where ECDA did not follow up with the auditor on the progress. There were also other contributory factors such as ECDA's delay in providing the auditor with the finalised agreed-upon procedures and other documents requested by the auditor.

139. AGO also found delays in the completion of annual audits on the 29 partner operators. The delays pertained to audits for 2 consecutive years, i.e. 2021 and 2022. Those audits were performed by another 2 commercial auditors, which were different from the commercial auditor who performed the audits on anchor operators. The delays ranged from 8 months to 1 year.

140. The above delays showed poor contract management on ECDA's part. ECDA should have done better upfront planning of the audits and closely monitored the audit progress to avoid protracted delays.

141. ECDA informed AGO that it had carried out a root cause analysis and identified measures it would undertake to ensure future audits could be completed on time. One such measure was to appoint a panel of auditors to avoid reliance on a single auditor. For ongoing audits, ECDA had put in place tighter supervision to ensure the commercial auditors completed the audits in accordance with the revised deadlines. ECDA was on track to complete all delayed audits by December 2024.

## **Weaknesses in IT Controls**

### *A. IT General Controls*

142. AGO carried out an audit on the IT general controls of the CMS. AGO reviewed the UNIX Operating System (OS) Security Software (i.e. "sudo") configurations in the 4 CMS application servers in October 2023. AGO found that there was no evidence of detailed assessment performed on the privileged access granted to 78 OS user accounts which allowed those accounts to execute all commands with the privileges of the "root" account. That was not in compliance with the Government Technology Agency (GovTech)'s advisory dated 1 June 2020 and the Government Instruction Manual on ICT & Smart Systems Management. Of the 78 OS user accounts, 74 were used by 19 IT vendor staff. There was also no review carried out on the "sudo" configurations. That resulted in 58 obsolete OS accounts, which had been granted privileges of the "root" account, not being removed from the "sudo" configurations.

143. ECDA informed AGO that it had since fully adhered to GovTech's advisory, with "sudo" restrictions in place since January 2024. It had also included all accounts within "sudo" configuration file as part of CMS monthly privileged access review.



B. IT Application Controls

144. AGO's audit on the IT application controls of the CMS noted weaknesses in the controls reviewed. AGO observed weak controls over the privileged user accounts and activities, such as the absence of reviews conducted on privileged user activities since CMS was implemented in April 2019. In addition, ECDA could not provide supporting documents for 1 of the 7 privileged activities test-checked by AGO to ascertain whether the activity performed had been authorised. That exposed ECDA to the risk of not detecting unauthorised changes, if any, made to user access in CMS.

145. AGO's test checks on the access rights of internal and external users of CMS found weaknesses in the controls over the management of access rights. That included incomplete review of access rights of internal users, inadequate follow-up on reviews of access rights of external users<sup>24</sup>, and delays in removal of 7 CMS accounts. Those lapses exposed ECDA to the risk of not identifying and removing, on a timely basis, any unauthorised, obsolete or unused account and access rights which could be used to perform unauthorised activities in CMS.

146. ECDA informed AGO that since February 2024, ECDA had been conducting monthly reviews of CMS privileged user activities. ECDA would also strengthen its review of user access, particularly for external users from the preschool operators.

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<sup>24</sup> Preschool operators' HQ users and centre users who were given access to CMS to perform tasks such as enrolment of children and application of subsidies.

## Appendix

## Government-Paid Leave Schemes

Schemes	Eligibility Criteria <sup>25</sup>	Benefits
Government-Paid Maternity Leave (GPML)/ Government-Paid Maternity Benefit (GPMB)	<p><u>GPML</u></p> <p>(a) For an employed mother, she must have served her employer for a continuous period of at least 3 months before the child's date of birth.</p> <p>(b) For a self-employed mother, she must have been engaged in a particular trade, business, profession or vocation for a continuous period of at least 3 months before the child's date of birth.</p> <p><u>GPMB</u></p> <p>Working mother who was not eligible for GPML due to her work arrangements might apply for GPMB.</p> <p>(c) Mother must have worked for at least 90 days (can be discontinuous) in the 12 months immediately before the child's date of birth.</p>	<p>Government would reimburse up to 16 weeks/112 days of leave to the applicant, depending on the child order:</p> <p>(a) For the 1<sup>st</sup> and 2<sup>nd</sup> child order, Government would reimburse for the last 8 weeks/56 days of leave.</p> <p>(b) For the 3<sup>rd</sup> and subsequent child order, Government would reimburse for all 16 weeks/112 days of leave.</p>

<sup>25</sup> For all leave schemes except for the adoption and GPCL/Extended Childcare Leave schemes, the child should be a Singapore Citizen at birth or one who became a Singapore Citizen within 12 months from the child's date of birth.

Schemes	Eligibility Criteria <sup>25</sup>	Benefits
<p>Government-Paid Paternity Leave (GPPL)/ Government-Paid Paternity Benefit (GPPB)</p>	<p>(a) Father was lawfully married to the child’s mother at some point between conception and child’s date of birth, or within 12 months commencing on the child’s date of birth.</p> <p><u>GPPL</u></p> <p>(b) Father had served his employer, or was self-employed for a continuous period of at least 3 months before the birth of his child or date of Formal Intent to Adopt (FIA).</p> <p><u>GPPB</u></p> <p>Working father who was not eligible for GPPL due to his work arrangements might apply for GPPB.</p> <p>(c) Father must have worked for at least 90 days (can be discontinuous) in the 12 months immediately before the child’s date of birth or FIA.</p>	<p>Government would reimburse up to 2 weeks of leave/14 days to the applicant.</p>

Schemes	Eligibility Criteria <sup>25</sup>	Benefits
<p>Government-Paid Childcare Leave (GPCL) and Extended Childcare Leave (ECL)</p>	<p>Parent had served the employer, or must have engaged in his/her business, trade, profession or vocation (self-employed) for a continuous period of not less than 3 months.</p> <p><u>GPCL</u> (a) Parent had a child below the age of 7 years old at any time during the Relevant Period (RP)<sup>26</sup>.</p> <p><u>ECL</u> (b) Parent had a child who was, or was above the age of 7 years old but below the age of 13 years old.</p>	<p><u>GPCL</u> (a) Parent would be eligible for up to 6 days of GPCL per RP, up to a total of 42 days. Government would reimburse the 4<sup>th</sup> to 6<sup>th</sup> day of GPCL granted.</p> <p><u>ECL</u> (b) Parent would be eligible for up to 2 days of ECL per RP, up to a total of 12 days. Both days were claimable from the Government.</p>
<p>Shared Parental Leave (SPL)</p>	<p>(a) The child’s mother was lawfully married to spouse at some point between conception and birth or within 12 months commencing on child’s date of birth.</p> <p>(b) The child’s mother was eligible for GPML and had made an election to share her GPML.</p>	<p>Government would reimburse up to 4 weeks of leave to the applicant. The minimum duration of leave to be shared was 1 week, with increments in 1-week block.</p>

<sup>26</sup> Under the GPCL and ECL schemes, Relevant Period (RP) referred to a 12-month period agreed upon between the employer and the employee (e.g. could be calendar or financial year). For self-employed persons, the RP would be the calendar year.

Schemes	Eligibility Criteria <sup>25</sup>	Benefits
Government-Paid Adoption Leave (GPAL)/ Government-Paid Adoption Benefit (GPAB)	(a) The child to be adopted was below 12 months of age at the point of FIA. (b) Adopted child was a Singapore Citizen or if not, one of the adoptive parents must be a Singapore Citizen. (c) Mother had served her employer or was self-employed for a continuous period of at least 3 months/90 days before the date of FIA.	Government would reimburse up to 12 weeks/84 days of leave to the applicant, depending on the child order: (a) For the 1 <sup>st</sup> and 2 <sup>nd</sup> child order, Government would reimburse for the last 8 weeks/56 days of leave. (b) For the 3 <sup>rd</sup> and subsequent child order, Government would reimburse for all 12 weeks/84 days of leave.

Source: Government-Paid Leave website

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## **PART IV**

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

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### **Government-owned Companies**

1. The Auditor-General has issued unmodified audit opinions on the financial year 2023/24 financial statements of the following 4 Government-owned companies that were audited by AGO:

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

2. The audits of the accounts of the above Government-owned companies were carried out in accordance with section 4(1)(b) of the Audit Act 1966.

### **Other Accounts**

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

- a. Financial Sector Development Fund for the financial year 2023/24; and
- b. ASEAN Cultural Fund (Singapore) for the financial year 2023.

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

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

## **Acknowledgements**

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

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# **ANNEXES**

## **ANNEX I : AGO'S AUDIT AUTHORITY**

### **Audit of Government Ministries, Organs of State and Government Funds**

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

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

3. Under section 3(1) of the Audit Act 1966<sup>1</sup>, the Auditor-General must carry out an audit and report on the accounts of all departments and offices of the Government (including the office of the Public Service Commission), the Supreme Court, all subordinate courts and Parliament. The Auditor-General must perform such other duties and exercise such other powers in relation to the accounts of the Government and the accounts of other public authorities and other bodies administering public funds as may be prescribed by or under any written law as provided for under section 3(4) of the Audit Act 1966<sup>2</sup>.

4. The Auditor-General is authorised under section 8(7) of the Audit Act 1966<sup>3</sup> to make recommendations and generally comment on all matters relating to public accounts, public moneys and public stores.

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<sup>1</sup> Similar to Article 148F(3) of the Constitution.

<sup>2</sup> Similar to Article 148F(4) of the Constitution.

<sup>3</sup> Section 8(7) of the Audit Act 1966 states that “The Auditor-General may, in any report submitted in accordance with this Act or otherwise, make recommendations and may generally comment upon all matters relating to public accounts, public moneys and public stores.”

*Financial Statements Audit*

5. The Auditor-General is required to audit and report (that is, express an opinion) on the annual Government Financial Statements as provided for under section 8(1) of the Audit Act 1966 which is read with section 18 of the Financial Procedure Act 1966.

6. Section 8(3) of the Audit Act 1966 states that “Subject to subsection (4), every report relating to the statement prepared in accordance with subsection (1) must be submitted by the Auditor-General to the President who must present the report and statement to Parliament within 30 days of their receipt by him or her, or if Parliament is not in session, within 14 days after the commencement of its next sitting.”<sup>4</sup>

7. In discharging his duties, the Auditor-General must, under section 5(1) of the Audit Act 1966, make any examination that he considers necessary to ascertain whether all reasonable steps have been taken:

- a. To safeguard the collection and custody of public moneys or other moneys subject to his audit;
- b. To ensure that issues and payments of moneys subject to his audit were made in accordance with proper authority and payments were properly chargeable and are supported by sufficient vouchers or proof of payment; and
- c. To ensure that the provisions of the Constitution and of the Financial Procedure Act 1966 and any other written law relating to moneys or stores subject to his audit have been in all respects complied with.

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<sup>4</sup> Section 8(4) of the Audit Act 1966 states that “Nothing in subsection (3) requires the presentation to Parliament of any report or statement containing any matter which the Prime Minister and the Minister responsible for defence, on the recommendations of the Permanent Secretary to the Ministry of Defence and the Chief of Defence Force, certify to be necessary for the defence and security of Singapore.”

8. Specifically, an audit under section 5(1)(c) of the Audit Act 1966 would require checks to ensure compliance with, inter alia, provisions of the Financial Procedure Act 1966 including the Financial Regulations. In assessing compliance with the Financial Regulations, AGO would check whether Government ministries and organs of state have in place precautions against, inter alia, negligence<sup>5</sup> and measures to detect apparent extravagance<sup>6</sup>. In other words, AGO would also check whether there has been excess, extravagance or gross inefficiency leading to waste.

## **Audit of Statutory Boards**

### Financial Statements Audit

9. Under section 4(1)(a) of the Audit Act 1966, the Auditor-General must audit the accounts of any public authority<sup>7</sup> if it is so provided for by any written law.

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

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

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<sup>5</sup> Regulation 3(e) of the Financial Regulations.

<sup>6</sup> Regulation 3(f) of the Financial Regulations.

<sup>7</sup> The definition of “public authority” includes statutory boards.

### Selective Audit

11. For statutory boards whose financial statements are audited by commercial auditors, AGO carries out selective audits in rotation. The authority for selective audits of statutory boards is provided for under Finance Circular Minute No. M3/2011, read with section 4(4) of the Audit Act 1966<sup>8</sup>.

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

### **Thematic Audit**

13. The Auditor-General may carry out thematic audits involving Government ministries, organs of state, Government funds or statutory boards. For Government ministries, organs of state and Government funds, the authority is provided for in section 5(1) of the Audit Act 1966. For statutory boards, the authority is provided for under Finance Circular Minute No. M3/2011, read with section 4(4) of the Audit Act 1966.

### **Other Audits**

14. Under section 4(1)(b) of the Audit Act 1966, if it is not so provided by any written law, the Auditor-General must, with the consent of the Minister for Finance if so requested by a public authority or body administering public funds, audit the accounts of such public authority or body.

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<sup>8</sup> Section 4(4) of the Audit Act 1966 states that “Despite any written law relating to the accounts and audit of any public authority, the Minister may, if the Minister is satisfied that the public interest so requires, direct that the accounts of the authority must be audited by the Auditor-General.”

## **Powers of Auditor-General**

15. Section 6 of the Audit Act 1966 provides powers to the Auditor-General for him to carry out his audits. The Auditor-General's powers include having access to all records and documents subject to his audit, calling upon any person to provide explanation or information, and authorising any person to conduct any inquiry, examination or audit on his behalf.

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

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

2. When the Auditor-General is not the auditor and he is consulted on the appointment of an auditor, he will give his advice based on the 6 criteria below:

- (1) The proposed audit engagement partner is registered or deemed to be registered as a public accountant, and the proposed accounting entity is approved or deemed to be approved as an accounting corporation/firm/limited liability partnership under the Accountants Act 2004;
- (2) The proposed accounting entity and the directors/partners involved in the proposed audit engagement have not had the approval granted to it as an accounting entity revoked, registration cancelled, renewal of registration refused, or have not been suspended or restricted from provision of accountancy services or practice, during the last 5 years under sections 38 to 38K, 52 or 53 of the Accountants Act 2004;
- (3) The proposed accounting entity and the directors/partners involved in the proposed audit engagement have not been inflicted with a penalty or censure, during the last 3 years under sections 38 to 38K, 52 or 53 of the Accountants Act 2004;
- (4) The proposed accounting entity and the directors/partners involved in the proposed audit engagement have not, in the past 5 years, been found by a Court to have been professionally negligent or to have failed to exercise due care in an audit;

- (5) The proposed accounting entity would not have exceeded 7 cumulative years in being appointed as the auditor of the public agency, or has observed a cooling-off period of at least 5<sup>1</sup> consecutive years since or during the period covering its last 7 appointments; and
- (6) The proposed audit engagement partner would not have exceeded 7 cumulative years in being appointed as the audit engagement partner of the public agency, or has observed a cooling-off period of at least 5<sup>1</sup> consecutive years since or during the period covering his last 7 appointments as the audit engagement partner.

Application Notes:

- (a) “Accounting entity” means an accounting corporation, an accounting firm or an accounting limited liability partnership.
- (b) “Directors/partners involved in the proposed audit engagement” refer to directors/partners who would be in the engagement team for the proposed financial statements audit or could influence the outcome of the proposed financial statements audit. For example, audit engagement partner, engagement quality review partner and member of the technical panel for the proposed financial statements audit.
- (c) Where, on the same matter, the proposed accounting entity or the director/partner involved in the proposed audit engagement is issued with:
  - more than 1 order under the Accountants Act 2004, the debarment period will commence from the effective date of the earliest order.
  - an order under the Accountants Act 2004 and also found by a Court to have been professionally negligent or to have failed to exercise due care in an audit, the debarment period will commence from the effective date of the order issued under the Act or the date of the Court verdict, whichever is earlier.

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<sup>1</sup> The cooling-off period has been increased from 2 consecutive years to 5 consecutive years with effect from 1 April 2020. To allow a smooth transition to the new requirement, the cooling-off period will be 3 consecutive years provided that the cooling-off period starts prior to 15 December 2023.



- (d) The previous audit engagement partner of the public agency who is serving his cooling-off period, is to comply with the restrictions on activities during the cooling-off period as specified in paragraph R540.20 of the “Code of Professional Conduct and Ethics” applicable to public accountants and accounting entities spelled out in the Accountants (Prescribed Standards and Code of Professional Conduct and Ethics) Order 2023.

3. Criteria (1) to (4) give the assurance that the accounting entity and its directors/partners involved in the audit engagement are suitably qualified and have a clean record for a sustained period, with regard to orders issued by the Public Accountants Oversight Committee<sup>2</sup> or adverse judgment by a Court. Criteria (5) and (6) provide for rotation of the accounting entity and audit engagement partner. Application note (c) ensures that there will be no double penalty for the same case of professional misconduct. Application note (d) gives the assurance that the previous audit engagement partner would not be able to influence the outcome of the public agency’s financial statements audit during his cooling-off period.

4. On an exceptional basis, the Auditor-General, in the public interest, may also take into account (over and above the 6 criteria) matters coming to his attention relating to the past performance of the proposed auditor.

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<sup>2</sup> Under the Accountants Act 2004, the Public Accountants Oversight Committee assists the Accounting and Corporate Regulatory Authority in the control and regulation of professional conduct of public accountants, accounting corporations, accounting firms and accounting limited liability partnerships.

