

THIRTEENTH PARLIAMENT OF SINGAPORE

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THIRD REPORT OF THE PUBLIC ACCOUNTS COMMITTEE

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PUBLIC ACCOUNTS COMMITTEE

Members

Ms Jessica Tan Soon Neo (*Chairman*)

Mr Ang Hin Kee

Mr Ang Wei Neng

Mr Liang Eng Hwa

Dr Lim Wee Kiak

Mr Leon Perera

Ms Tin Pei Ling

Mr Zainal Sapari

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THIRD REPORT OF THE PUBLIC ACCOUNTS COMMITTEE

Overview

1 The Public Accounts Committee considered the Report of the Auditor-General for the financial year 2017/18. Some common themes were noted in the audit observations across different public sector agencies, namely:

- A. Lapses in contract management
- B. Weaknesses in Information Technology (IT) controls
- C. Laxity in financial controls
- D. Gaps in management of Research and Development (R&D) grants

2 On contract management, the Committee noted lapses such as paying for services not rendered, not obtaining proper approvals for award of contracts and before carrying out variation works, and delays in the issuance of final accounts.

3 In the area of IT controls, the Committee noted the common weaknesses found which included no monitoring of privileged users' activities in IT systems and lapses in managing user accounts and access rights.

4 In the area of financial controls, the Committee noted lapses such as laxity in the management of cash and assistance in-kind under welfare assistance schemes, weaknesses in overseas purchases and payments, and lapses in revenue contracting.

5 For the management of R&D grants, the Committee noted that there were established processes for grant application, evaluation and award in the public sector agencies audited. Nevertheless, there is a need to strengthen controls in the areas of monitoring and review of reports and the recovery of unutilised funds.

6 The Committee noted that a number of the observations raised were recurrent lapses found across different public sector entities which the Auditor-General's Office (AGO) had audited over the last few years. The recurrent lapses were in the management of contracts, management of user accounts and access rights in IT systems, and in the area of procurement and payments. For some of these lapses, AGO had raised similar concerns to the agencies in past audits and in one case, the instances of lapse had increased. In last year's Report of the Public Accounts Committee, the Committee had also reiterated the need to stamp out recurring lapses.

7 The Committee further observed that in many instances, the lapses occurred not because of a lack of rules, procedures or systems, but due to agencies not complying with the controls put in place. The non-compliance could be due to various reasons such as the lack of understanding or clarity of the rules.

8 Hence, the Committee would like to emphasise the following key points.

- a. On recurring lapses, it is important that agencies learn from past lapses and put in place effective measures to prevent recurrence of similar lapses. To do so, understanding and addressing the root causes would be important. It is also crucial for public sector leaders to set the right tone at the top and be involved in designing and implementing effective controls and processes.
- b. For the weaknesses in IT controls, the Committee noted that review of user access rights, removal of obsolete user accounts and not sharing accounts are fundamental controls which agencies are required to comply with. Weaknesses in these controls could become the weakest link in IT systems. In this regard, more could be done to ensure effective compliance with the controls for resilience against IT security threats.
- c. On compliance with rules, it is important that staff understand the purpose, underlying principle and rationale of rules put in place. Rules should be clear and effective, so that staff can understand and comply with them.

At the same time, the Committee understands that there could be situations which may warrant a deviation from existing rules. In such situations, agencies should take ownership of their actions and there should be proper justification and approval obtained, and documentation of the decision taken as part of the due process.

9 The Committee is of the view that the Ministry of Finance (MOF) as the authority having oversight of policies and rules governing public sector agencies, and other relevant central agencies, could provide inputs on what could be done to address the concerns at the Whole-of-Government (WOG) level.

10 The Committee noted that MOF agreed that it is important that agencies learn from the audit findings and put in place effective measures to prevent recurrent lapses. MOF informed the Committee that it had identified the root causes of the lapses, and is reviewing existing rules and processes to put in place necessary measures. On recurrent lapses, MOF would be working on several fronts, namely setting the right tone at the top, raising awareness and uplifting capabilities of public officers, and strengthening the public sector internal audit community. In particular, MOF is currently focused on addressing recurrent lapses in the areas of management of construction contracts (with the Building and Construction Authority) and IT controls (with the Smart Nation and Digital Government Group).

11 On non-compliance with rules, MOF informed the Committee that one of the causes was inappropriate rules or requirements that are overly onerous, prescriptive or unclear. In this regard, it had asked public sector agencies to review their internal policies and processes to strike a balance between strengthening controls and sustaining operational efficiency. MOF also believes in co-creating rules with agencies to encourage them to take greater ownership of compliance. MOF also shared that efforts are currently being put in to further automate processes to facilitate compliance.

12 The Committee acknowledged the efforts being put in by the agencies and MOF, in particular, the targeted actions by MOF to address the recurring lapses and the measures

being undertaken across agencies to ensure consistency of practices. The Committee would like to emphasise that in coming up with measures and enhancements, agencies should bear in mind that effective systems and processes must be properly set up to minimise the need to expend additional efforts or introduce more processes to address control gaps. The Committee is not advocating for more rules, but that rules imposed should be clear and effective. Where appropriate, rules should be simplified to facilitate compliance without compromising effectiveness. There should also be regular monitoring to ensure that the measures are implemented.

13 The Committee's enquiries into specific observations and the agencies' responses, as well as MOF's responses on what could be done at the WOG level, are discussed in the following sections.

Committee's Enquiries and Ministries' Responses in relation to Observations in the Report of the Auditor-General for the Financial Year 2017/18

14 The Committee considered the *Report of the Auditor-General for the Financial Year 2017/18* (Paper Cmd. 16 of 2018). The Committee noted that a number of the observations were recurrent lapses found across different public sector entities which the AGO had audited over the last few years. In a few instances, the lapses recurred within the same agencies although AGO had highlighted the lapses in previous audits. In this regard, the Committee asked MOF about the root cause(s) for the recurrent lapses and the measures that could be taken at the WOG level to address these. The Committee also asked MOF the reasons for non-compliance with the rules, and the measures put in place to facilitate and help agencies comply with rules and take ownership for any non-compliance. In addition, MOF was asked about the measures to help raise awareness of audit learning points and ensure that public agencies learn from past audit findings, and whether agencies would conduct periodic reviews on areas prone to recurrent lapses.

15 **On recurrent lapses**, MOF informed the Committee that it had engaged public agencies and the Internal Audit (IA) community to identify the root causes and found that procedures and systems were generally in place. Most of the recurrent lapses were due to non-compliance with central or agency-specific rules. The reasons were:

- a. Human oversight, misjudgement, or time pressure – This could be due to staff not being familiar with rules and staff movements;
- b. Insufficient staff capabilities – This applies more in areas where technical expertise is needed or when agencies that have outsourced their projects or contract management relied heavily on external consultants; and
- c. Poorly designed rules and requirements – Some rules have been put in place without sufficient consideration for risk stratification, resource implications and human behavioural traits.

16 MOF informed the Committee that it is working on the following fronts to address recurrent lapses:

1) Setting the Right Tone at the Top

17 MOF has stepped up its engagement with public sector leaders to ensure that they understand their critical role in upholding a sound and robust system. Since 2017, MOF has regular sharing on governance and audit issues at the Committee of Permanent Secretaries (COPS) meetings and annual dialogues with other public sector leaders such as Deputy Secretaries, Chief Executives and Heads of Organ of State. In 2018, the briefings focused on recurrent issues, their root causes, actions taken at the WOG level, and further efforts that should be taken at agency level to strengthen governance and internal controls. At the dialogue sessions, MOF also invited selected agencies to share their best practices in the areas that tend to have recurrent lapses, including contract management and IT security.

18 MOF also shared that the Accountant-General's Department (AGD) would be conducting half-yearly briefings to COPS to share common IA findings and ensure that senior management is kept abreast of such issues.

2) *Raising Awareness and Uplifting Capabilities of Public Officers*

19 MOF informed the Committee that MOF and AGD have been engaging Directors of Finance and public officers to promote good governance and internal controls, including the use of data analytics. It would continue to organise fora and learning sessions to share good practices and learning points from audits. MOF has worked with the Public Service Division and the Civil Service College (CSC) to incorporate topics on governance and internal controls into key training and milestone programmes. MOF is also working with the Strategy Group under the Prime Minister's Office to roll out a WOG Risk Management Framework which aims to build leadership emphasis, raise risk awareness and get agencies to internalise risk management in their work.

3) *Strengthening Public Sector IA Community*

20 MOF shared that the Public Sector Internal Audit Council, formed in 2017, has developed a WOG Public Sector IA Development Framework to help agencies put in place an effective IA function. The Internal Audit Units (IAUs) in agencies conduct periodic reviews on areas prone to recurrent lapses. The IAUs would take into account past lapses, recurrent lapses and emerging risk areas when formulating their audit plans, and would share their observations with the IA community. AGD has also made available data analytics tools which IAUs could use to aid their work. AGD also conducts outreach sessions where IAUs are briefed on the areas prone to recurrent lapses so that they can focus audit efforts in these areas. Agencies within the same ministry cluster were also encouraged to organise sharing sessions on key observations to prevent recurrence.

4) *Targeted Measures for Construction Contract Management*

21 MOF shared that for the management of construction contracts, it is typically complicated by multiple parties with separate contractual relationships, complex works that require significant upfront planning/design and deep technical knowledge, and the need to respond quickly to dynamic developments on-site.

22 MOF informed the Committee that it has embarked on a deep-dive with the Building and Construction Authority to review and propose practical solutions for the systemic issues underlying the recurrent lapses in construction contract management. MOF is also working with agencies such as the Housing and Development Board, Jurong Town Corporation (JTC), Land Transport Authority, Public Utilities Board, Ministry of Health, Ministry of Home Affairs and Ministry of Education to review policies, practices and industry structure, and would share best practices across the public service. MOF targets to complete the review by 2nd quarter of 2019.

23 To raise public sector capability in contract management and procurement, MOF informed the Committee that:

- a. CSC has introduced a specialised programme on public sector construction contract management in 2016 which has trained many public officers to date.

- b. The Defence Science and Technology Agency (DSTA) has partnered the Singapore University of Social Sciences to run regular general project management courses which had trained many public officers since April 2018.
- c. JTC was designated as the Building and Infrastructure Centre of Excellence in 2016 to provide project management and advisory services to agencies that lack in-house capabilities.
- d. MOF has worked with agencies to develop materials on managing contract variations for construction projects which were issued in June 2017. MOF has also shared public sector construction cost norms to help agencies ascertain the price reasonableness of variation items.

5) Targeted Measures for IT Controls

24 MOF informed the Committee that the Smart Nation and Digital Government Group (SNDGG) had implemented the following measures to strengthen Information and Communications Technology governance across the public sector:

- a. Comprehensive checks by agencies – Agencies were instructed to conduct a comprehensive self-check of their accounts and access controls for all their IT systems in October 2017, and to fully remediate findings and implement new processes if required. An exercise would be conducted in the financial year 2018/19 to identify any residual gaps.
- b. Strengthening independent audits of agencies – Starting from the financial year 2017/18, SNDGG has increased the number and types of internal IT audits. The audit cycle has also been shortened from five to three years. SNDGG has also engaged agencies on their remediation efforts to address the lapses identified from internal IT audits. From the financial year 2018/19, SNDGG would move to outcome-based audits to conduct regular checks on systems.
- c. Stepping up efforts to educate the wider public service on good IT management practices – SNDGG would do so through regular engagements, such as sharing of learning points from the weaknesses in IT controls with agencies at senior management fora. SNDGG would continue to work with CSC to offer foundation programmes to public officers on IT management policies.

25 **On non-compliance with rules**, MOF informed the Committee that one of the causes of recurrent lapses was inappropriate rules or requirements due to central or internal agency rules that are overly onerous, prescriptive or unclear. MOF has asked agencies to review their internal policies and processes to strike a sensible balance between strengthening controls and sustaining operational efficiency. Emphasis must be placed on management responsibility and staff capability. In the event that implementation difficulties stem from central policy design, agencies are urged to provide

feedback to the relevant policy owners. MOF added that working with agencies to co-create rules would encourage them to take greater ownership of compliance.

26 For IT lapses, SNDGG has ascertained that there were sufficient rules in place but the agencies did not implement the relevant process and mechanism to comply with them. SNDGG is conducting a comprehensive review of IT policies centrally which would be completed by 3rd quarter of 2019. The review aims to restructure the content to be more user-centric, enable policies to be more responsive to technology changes, and better support Government digitalisation efforts.

27 The Committee would like to emphasise that while SNDGG provides the oversight role on a WOG basis, individual agencies are responsible for their IT risk management and to ensure adequate leadership oversight.

28 **On automation to facilitate compliance with rules**, MOF informed the Committee that many Government processes have already been automated, such as the removal of access rights from the Human Resource system when staff resigned. SNDGG has also worked with agencies to automate the management of user accounts of IT systems. The Government would prioritise automation for critical systems and systems with sensitive data by December 2023. In the interim period, SNDGG has developed an interim solution to trigger system owners to review the access rights of officers who leave their agencies. While automation can help to improve governance, no amount of automation can replace human vigilance. In this regard, MOF shared that there is a need to be practical in the adoption of automation solutions, and to complement these with a sensible balance of rules and controls for effective administration and efficient service delivery.

29 The Committee's enquiries into specific observations are discussed in paragraphs 30 to 93.

A. Lapses in Contract Management

30 The Committee noted several observations in the Report of the Auditor-General relating to lapses in contract management. In this regard, the Committee sought written explanations from the following Ministries:

- a. Ministry of Defence (MINDEF);
- b. Ministry of Education (MOE);
- c. Ministry of Home Affairs (MHA); and
- d. Ministry of Culture, Community and Youth (MCCY).

MINDEF – Overpayment to Contractor

31 The Committee noted that overpayments of grass-cutting fees for a camp were not detected by MINDEF's facilities management agent (FMA) and contract manager, DSTA. MINDEF had indicated that DSTA would impose contractual penalties on the contractor for over-claiming and on the FMA for failing to properly check the contractor's claims. It had also initiated verification of areas used by the contractor for computing charges of other services besides grass-cutting. MINDEF would also put in place various enhancements to its contract management process. The Committee requested MINDEF for an update on the actions taken and details of the enhancements to the contract management processes. In addition, the Committee also asked MINDEF about the actions taken against DSTA for failing to exercise proper oversight of the contract management and payments.

32 MINDEF shared that letters on contractual penalty had been issued to the contractor and FMA in June 2018, and the cost deductions had been completed in July 2018. Actions had been taken against the DSTA officers who failed to exercise proper oversight of the contract management and payments.

33 With regard to the verification of areas used by the contractor for computing charges of other services besides grass-cutting, MINDEF informed the Committee that there was no overpayment for the other services. The overpayment for grass-cutting for the camp has been recovered. In addition, DSTA had verified the areas of the remaining camps served by the contractor and found a possible underpayment by MINDEF due to understatement of land areas. DSTA is expected to complete the verification of the possible underpayment in December 2018.

34 On the enhancements to the contract management process, MINDEF informed the Committee that DSTA is now using digitalisation tools such as Geospatial Information System to enhance the accuracy in the measurement of land area. Going forward, instead of the current method of paying for services based on area, fixed fee payment method based on gazetted camp boundaries would be adopted. The enhancements would be incorporated in the new contracts expected to be awarded by 1st quarter of the financial year 2019/20.

MOE – Inadequate Oversight in Contract Management of School Development Projects

35 The Committee noted that there were long delays in issuance of final accounts (FAs) and lapses in the management of contract variations for school development projects under MOE. AGO had raised similar observations to MOE on long delays in finalisation of accounts and approval not obtained before carrying out variation works in its previous audit in the financial year 2013/14. The Committee noted that the current audit revealed an increase in the instances of lapse and periods of delay. The Committee asked MOE for the measures that were taken to address lapses raised in the financial year 2013/14 and why they were not effective in preventing recurrence. The Committee also asked MOE what measures it would be putting in place, and how these would be effective in preventing recurrence of similar lapses.

1) Lapses Raised in the Financial Year 2013/14

36 MOE informed the Committee that it had been reminding its consultants of MOE's procedures for accounts to be finalised in accordance with the contract and for variations to be approved before works are carried out, and that MOE would hold them accountable for lapses noted. However, this continued to be an area of weakness, largely due to inadequate resources set aside by consultancy firms to manage the processes, which include conducting due diligence checks to ensure that the final amounts due to the contractors are accurate. In addition, even though a cost estimation is sufficient for purposes of approving variations, consultants have generally taken more time to be rigorous and precise in establishing the value of a variation, which then resulted in delays in obtaining approval for variations. MOE has since further refined its procedures, as explained in paragraphs 37 to 39 below.

2) Long Delays in Issuance of Final Accounts

37 MOE explained that while it has processes in place to finalise accounts for school construction contracts in a timely manner, it sometimes took longer to ensure due diligence checks are properly carried out and that the final amounts due to the contractors are accurate. Delays may also be due to consultants and project management firms diverting their resources to new or ongoing projects.

38 MOE informed the Committee that from 1 November 2018, it would require its consultants to submit regular status reports on variations for MOE to track and ensure that variation claims are progressively finalised and not left to the final accounts stage. MOE would also centrally track the due date of account finalisation for all projects for greater oversight and to review the effectiveness of the measures in addressing the gaps and preventing the recurrence of similar lapses. MOE also would continue to hold the consultants and project managers accountable for the lapses and take appropriate action against them, where necessary.

3) Lapses in Management of Contract Variations

39 MOE informed the Committee that:

- a. From 1 November 2018, it would require submission of regular status reports on variations verified by the consultants' senior management to strengthen oversight of the consultants.
- b. It has further tightened its internal procedures and consultants would seek approval for variations earlier using their estimates rather than getting more accurate cost figures from the contractors. Detailed supporting documents can be submitted later when claiming payment for variations.
- c. It is working out a risk-based approach to decide on the level of checks on consultants' assessment of star rate items, and the level of sample on-site checks for variation works.
- d. It has established a standard procedure for officers to keep the necessary supporting documents, quotations or assessment for star rate items to facilitate MOE's checks.
- e. It conducts regular internal audits to ensure compliance with established processes and procedures. It would also review the effectiveness of the implemented measures during these audits.

40 The Committee noted that while MOE has processes in place for its consultants to comply with, it is important that there is adequate oversight by MOE and its staff to ensure that the processes are adhered to. MOE remains accountable for proper project management.

MHA – Poor Management of Vehicle Maintenance Contracts/Creating and Backdating of Documents Furnished for Audit

41 The Committee noted from the audit observations on the Singapore Civil Defence Force (SCDF) that there were inadequate procedures to ensure that the contractors for two vehicle maintenance contracts had provided the required maintenance services, and that payments were made only for services satisfactorily provided. There were instances of payments made for services not provided by the contractors, and some of the servicing records furnished for audit were created and backdated. In addition, some of the records used to substantiate that servicing jobs had been performed were provided by the contractors who had a vested interest. SCDF had indicated that it would strengthen its internal procedures and also recover the wrong payments made to the contractors.

42 In this regard, the Committee asked MHA how it would validate whether the servicing jobs were indeed carried out on the vehicles so as to determine the wrong payments to be recovered, and the measures to strengthen SCDF's internal procedures and prevent recurrence of similar lapses. The Committee also asked MHA whether these measures would be applied across all the fleet management of its other Home Team Departments (HTDs).

43 MHA informed the Committee that the following measures had or would be implemented:

- a. SCDF had put in place a system for its units to monitor and track the servicing records of vehicles under each unit's charge. Unit Commanders would be responsible for ensuring that the vehicles under their charge are maintained and serviced by the contractor according to the frequency stated in the contract. A contract management checklist was developed to guide officers on handing-over/taking-over of vehicles, verification of work done and maintenance of proper documentation.
- b. SCDF headquarters would tally the monthly invoice against servicing records before making payment. It would also conduct surprise checks on contractors when they are carrying out vehicle maintenance and servicing to ensure that they fulfil the contractual obligations.
- c. SCDF would be utilising the vehicle maintenance module of the MHA-wide Integrated Logistics Management System (iLMS) from the middle of 2019. The module provides a vehicle maintenance plan for each vehicle, including servicing frequency, details of maintenance and servicing carried out, and notification to units.
- d. SCDF would be deploying additional logistics manpower at each of its four SCDF divisions to help manage vehicle maintenance at the fire stations and civil defence divisions and strengthen oversight.

44 In addition, as the vehicle maintenance and servicing was a Home Team-wide Demand Aggregation (DA) contract, MHA had reminded the other HTDs who use the same contractors to update their Standard Operating Procedures (SOPs), ensure that maintenance and servicing are done as per the contract, and that servicing records are verified before payments are made. On the iLMS, MHA shared that the Singapore Police Force (SPF) has been using the vehicle maintenance module since April 2018. The HTDs (other than SCDF and SPF) that are currently not using the iLMS would do so by April 2020. MHA assured the Committee that it is fully committed to do all that is necessary to improve financial governance and internal controls in the respective HTDs.

MCCY – Failure to Obtain Proper Approvals for Award of Contracts and Variation

45 The Committee noted from the audit observation on the People's Association (PA) that failure to obtain proper approvals for award of contracts is a recurring lapse. A similar observation was raised in the Report of the Auditor-General for the financial year 2014/15. The Committee asked MCCY for the measures that were taken to address the lapses raised in the financial year 2014/15 and why they were not effective in preventing recurrence. The Committee also asked how MCCY would ensure the effectiveness of measures put in place in addressing the gaps and preventing the recurrence of similar lapses.

46 MCCY informed the Committee that following the lapses raised in the financial year 2014/15, PA formed the Grassroots Finance Review Committee in July 2015 to review the Grassroots Organisations' (GROs) financial procedures. Measures implemented included simplifying the approving authority matrices into a single matrix to improve compliance, and providing a framework for appropriate delegation of

procurement authority within a fixed limit or approved budget to facilitate effective procurement management. PA also conducted relevant training for its grassroots leaders since 2015. MCCY shared that it has observed progress since the implementation of these measures.

47 PA would further strengthen its system by implementing the following measures:

- a. Review the GRO procurement policy to further refine them to facilitate decision making, by end of 2018.
- b. Enhance the Grassroots E-Mart System to enable authorised approving officers at the GROs to approve procurement transaction online for DA items, by 3rd quarter of 2019.

48 MCCY also informed the Committee that it will review with PA that adequate audits are scheduled and appropriate follow-up on audit issues are taken to ensure that these measures are effective.

B. Weaknesses in IT Controls

49 The Committee noted several observations in the Report of the Auditor-General relating to weaknesses in IT controls. In this regard, the Committee sought written explanations from the following Ministries:

- a. Ministry of Defence (MINDEF);
- b. Ministry of Education (MOE); and
- c. Ministry of Finance (MOF).

MINDEF – Weaknesses in Management of Access Rights

50 The Committee noted that there was no review of access rights for MINDEF's Electronic Procurement System (ePS) even though it was required by the Government's instructions and MINDEF's internal instructions. There was also delay in removing unneeded access rights. The Committee asked MINDEF to provide the reasons for not adhering to the rules and the measures to ensure that the reviews and removal of unneeded access rights are done in a timely manner. In addition, the Committee asked how MINDEF would ensure that the measures put in place are effective in addressing the gaps and preventing the recurrence of similar lapses.

51 MINDEF explained that since April 2013, it had automated the deactivation of accounts for personnel who left the organisation or had a change in their job appointments. As a result, the manual review of accounts by the system owner would no longer be required for the deactivation of accounts which are automated. In instances where the unneeded accounts and access rights could not be removed automatically, manual reviews and removals by the Unit User Administrator (UUA) would still be required. In the case of the ePS, due to human oversight, the reviews were not done as required. In addition, the ePS would automatically grant the Unit Resource Officer (URO) a separate display-only role. However, when the URO roles were not required, the ePS did not automatically deactivate the display-only roles.

52 On the measures taken to ensure that the reviews and removal of unneeded access rights are done in a timely manner, MINDEF informed the Committee that:

- a. It had enhanced the ePS to automatically remove the display-only roles and all the associated access rights of deactivated accounts in September 2017 and June 2018 respectively.
- b. From 1 October 2018, monthly notifications would be sent to the UUAs and their superiors (Entity Heads) to remind them to perform the reviews. The UUAs have to declare the completion of reviews and this would be endorsed by the Entity Heads. Units who fail to complete the reviews within the stipulated period would have their users' access automatically locked by the system.

- c. It planned to fully automate the account and access removal process by June 2020 when the Next Generation Procurement System (currently under development) replaces the ePS.

53 MINDEF would monitor the effectiveness of these measures via status update at the monthly management meetings. Any non-compliance would be reported to its senior management for attention and disciplinary action. The MINDEF Audit and Risk Committee, chaired by Permanent Secretary (Defence Development), would continue to monitor the measures and their impact until the Committee is satisfied the issue has been adequately resolved.

MINDEF – Sharing of User Accounts to Perform Procurement Activities

54 The Committee noted instances where the authorised users had shared their user accounts with unauthorised persons to perform procurement activities in MINDEF's Electronic Procurement System. The Committee asked MINDEF for the measures to ensure that users understand the importance of safeguarding their accounts and not sharing their accounts, and how MINDEF would ensure the effectiveness of measures put in place in addressing the gaps and preventing the recurrence of similar lapses.

55 MINDEF informed the Committee that it had taken a three-pronged approach to address this issue. First, MINDEF had stepped up efforts to educate users on the importance of safeguarding their accounts. For example, MINDEF had disseminated infographics in July 2018 on the lessons learnt from AGO's observation and reminded users not to share accounts and passwords. A Communication Advisory was also sent to all Singapore Armed Forces (SAF) Commanders and Entity Heads to require them to communicate and emphasise to their staff the importance of maintaining confidentiality of accounts and passwords.

56 Second, MINDEF had strengthened its disciplinary framework for users who share their accounts with effect from 31 July 2018. All such offenders would now be charged and fined under the SAF Act for the misuse of accounts and passwords.

57 Third, MINDEF would enhance its IT systems to automatically lock account access for users who are on overseas leave and put in place processes to verify that users on local leave who access the system have physically returned to their camp to do so. These system enhancements would be implemented in the first half of 2019.

58 To ensure the effectiveness of measures put in place, MINDEF would continually review the efficacy of these measures and update them accordingly. MINDEF would also step up checks on account sharing as part of its audits and mandated reviews. The MINDEF Audit and Risk Committee would monitor this until it is satisfied that the measures taken have been shown to be effective.

MOE – Poor Oversight of Activities Carried Out in IT Systems

59 The Committee noted that MOE did not log and review the activities of seven IT administrators, who were vendors engaged to schedule computer scripts for execution in

two IT systems. These IT systems support the management of financial transactions of Edusave and Post-Secondary Education accounts. MOE had indicated that it would carry out a thorough assessment of its review processes for scheduling and executing scripts, and enhance the logging and review process for administrator activities. In this regard, the Committee asked MOE for the measures to enhance the processes, and how MOE would ensure their effectiveness in addressing the gaps and preventing the recurrence of similar lapses.

60 To enhance the oversight of activities carried out in IT systems, MOE informed the Committee that it had:

- a. Implemented logging and review of computer scripts scheduling activities in May 2018. The review adopted a risk-based approach focusing on critical alerts and activities with cyber security concerns, and was approved by MOE IT Steering Committee (SC) in July 2018.
- b. Put in place since May 2018, a half-yearly review of the computer scripts to ensure documentation remain up to-date.
- c. Implemented additional system logging and scripts to review Operating System and Database Administrator privileged activities and security exceptions, based on a risk-based approach approved by MOE IT SC in October 2018. The review would commence from January 2019.
- d. Started implementation of monitoring and management of privileged accounts through the Privileged Identity Management solution, targeted to be fully implemented by June 2019. This would ensure that only authorised privileged activities are carried out in the systems, and would improve the effectiveness in addressing the gaps and preventing the recurrence of similar lapses.

MOF – Privileged User Activities Not Logged

61 The Committee noted that the Accounting and Corporate Regulatory Authority (ACRA) did not activate a critical feature to log activities carried out under two privileged user accounts in the database server of its new business filing system (BizFile⁺). AGO had earlier highlighted a similar lapse to ACRA in the financial year 2012/13 on its previous business filing system. In this regard, the Committee asked MOF the reasons for not activating the logging feature in BizFile⁺ even though a similar lapse was highlighted to ACRA earlier, and the measures to ensure that the logging feature is activated each time a new system is implemented. In addition, the Committee asked how MOF would ensure that the measures put in place are effective in addressing the gaps and preventing the recurrence of similar lapses.

62 MOF explained that following the lapse detected in the financial year 2012/13, ACRA had put in place relevant SOPs, activated the privileged user account audit logging feature, and carried out system pre-and post-commissioning audits. However, these measures were not effective because the audit logging feature could be manually turned

on and off. While the settings could be set correctly at a particular point in time, any changes made in between audits would not be detected.

63 In this regard, MOF informed the Committee that:

- a. A Log Management System has been implemented in June 2018 to detect changes to key settings and configuration. Alerts of such changes, as and when detected, would be sent to the IT Security officer, who will surface the matter to the Head of IT for investigation and follow-up.
- b. An independent comprehensive review of ACRA's compliance with relevant standards to ensure effectiveness of controls will commence in mid-October 2018.
- c. A review team from the Government Technology Agency has been working with ACRA's IT team to examine the extent and sufficiency of ACRA's end user and privileged user account management processes as well as technical solutions. The review would be completed by the end of October 2018.

C. Laxity in Financial Controls

64 The Committee noted several observations in the Report of the Auditor-General relating to laxity in financial controls. In this regard, the Committee sought written explanations from the following Ministries:

- a. Ministry of Home Affairs (MHA); and
- b. Ministry of Culture, Community and Youth (MCCY).

MHA – Operator Not Selected Through Competitive Process and Not Charged Rental for Using Premises

65 The Committee noted that the Immigration and Checkpoints Authority (ICA) had given the right to use its premises to operate photo booths to the ICA recreation club without going through a competitive process and without charging rental. MHA informed the Committee that it had issued a directive to remind its HTDs to adhere to Government's revenue contracting rules. The Committee asked MHA for the measures to ensure staff awareness that transactions between ICA and its related entities should be at arm's length.

66 MHA informed the Committee that the directive issued to the HTDs in March 2018 set out the guiding principles for transacting with related entities and affiliates (e.g. staff recreation clubs) at arm's length. HTDs were reminded that there should be no hidden subsidies extended to related entities (e.g. in the form of rent-free space). In addition, MHA conducted a workshop for the HTDs and their affiliated societies and clubs in May 2018 on strengthening financial governance and internal controls. They had since updated their manuals and SOPs. MHA's Internal Audit Division would be conducting audits on selected entities by the end of the financial year 2018/19.

MCCY – Lapses in Procurement and Contract Management for Major Events

67 The Committee noted that there were lapses in procurement and contract management for major events organised by PA and one of its GROs. There were also serious weaknesses in overseas purchases and payments for Chingay Parade 2017 which could be exploited, including tell-tale signs indicating that some cash sale receipts submitted for reimbursement claims might not be authentic. PA had indicated that it would review past overseas purchases and payments for Chingay Parade since 2007 to ascertain if there were similar weaknesses and whether they had been exploited.

68 In this regard, the Committee asked MCCY for the measures to ensure that the processes for procurement and contract management for major events are tightened, whether MCCY has investigated into the cash sale receipts with tell-tale signs with regard to Chingay Parade 2017 and the outcome of the investigation. The Committee also asked for an update on the review of past purchases and payments made for Chingay Parade since 2007.

69 MCCY informed the Committee that PA has put in place the following key measures to reduce the incidence of procurement and contract management lapses for major events:

- a. Centralising the management of high-value contracts to specialised procurement staff at PA headquarters and deploying specialised staff to assist GROs in their procurement, by mid-2019.
- b. Enlarging the scope of DA contract to centralise and lower the administrative burden for procurement, and to reduce lapses while allowing community leaders and staff to still be responsive to the dynamic needs that arise from organising major events.
- c. Rolling out e-learning for grassroots volunteers since April 2018, which includes training on financial and procurement matters.

70 MCCY also informed the Committee that PA had carried out an internal investigation on the past overseas Chingay purchases. This was followed by an independent investigation panel led by a senior officer in MCCY, covering payments going back to 2011 where supporting documents were retained. The independent panel's investigations, completed in August 2018, did not find conclusive evidence of wrongdoing. Nevertheless, there remained concerns over the authenticity of some transactions and PA has since referred the matter to the police.

D. Gaps in Management of Research and Development Grants

71 The Committee noted the observations in the Report of the Auditor-General relating to gaps in the management of Research and Development (R&D) grants. In this regard, the Committee sought written explanations from the following Ministries:

- a. Ministry of Trade and Industry (MTI); and
- b. Prime Minister's Office (PMO).

MTI – Delays in Grant Disbursement and Settlement of Final Accounts

72 The Committee noted that the Agency for Science, Technology and Research (A*STAR) would review its processes and work with its supervising ministry to ensure that there is adequate funding for timely grant disbursements. In this regard, the Committee asked MTI for the measures to enhance the processes for grant disbursement and settlement of final accounts, and how MTI would ensure the effectiveness of measures put in place in addressing the gaps and preventing the recurrence of similar lapses.

73 MTI informed the Committee that A*STAR has reviewed its grants management processes and identified measures to enhance efficiency and raise staff productivity. The measures include structural and process changes and enhanced system automation, including:

- a. Establishing by January 2019, a Centralised Grants Management Office (CGMO) to strengthen governance and streamline the management and administration of grants. The timeliness of grant disbursements and settlement of final accounts would be enhanced as the funding requests and final statements of accounts would be processed and monitored more closely by a central team of dedicated officers and complemented by automated alerts at appropriate process points.
- b. Refining and streamlining the standard set of Grant Terms and Conditions by December 2018, and standardising grant templates to further reduce processing time.
- c. Converting more manual grant submissions to electronic submissions and commencing on-boarding to the new WOG Integrated Grants Management System by June 2019. With this measure, A*STAR could be more efficient in processing grants as submissions would undergo automated system checks.

74 MTI explained that the implementation of these measures would increase the efficiency of processing funding requests and final statements of accounts, thereby reducing the time taken for grant disbursements and settlement of final accounts.

MTI - Inadequate Monitoring of Industry Contributions

75 The Committee noted that A*STAR had obtained the supporting documents for \$2.17 million out of a total industry commitment of contributions of \$3.79 million. The Committee asked MTI about the follow-up actions or measures to be taken for the balance of industry commitments with no supporting documents, and how MTI would ensure the effectiveness of measures put in place in addressing the gaps and preventing the recurrence of similar lapses.

76 MTI informed the Committee that A*STAR had issued written requests to industry partners for the remaining \$1.62 million pertaining to five projects. A*STAR had obtained supporting documents and verified the industry contributions for four projects. For the remaining project which ended in September 2014, A*STAR had obtained an acknowledgement from the industry partner that the project deliverables had been fulfilled.

77 MTI also informed the Committee that the guidelines for Industry Grants have been revised to require that the appropriate documents to support Proof of Actualisation of industry commitment be obtained for verifying industry contributions and recovering excess grants, where applicable.

78 MTI would work with A*STAR's internal audit to review the effectiveness of the measures. MTI would conduct a post implementation review on the setup of CGMO and grant submission/processing enhancements by the end of the financial year 2019/20. MTI would also include grant administration as a standard audit item in A*STAR's annual internal audit work-plan, to conduct checks on the processes and the control measures put in place.

PMO – Laxity in Verification of Fund Requests

79 The Committee noted that the National Research Foundation (NRF) has initiated the recovery of funds for the incorrect disbursements and would implement various measures to enhance the verification of fund requests. In this regard, the Committee asked PMO for the measures to enhance verification of fund requests and how PMO would ensure their effectiveness in addressing the gaps and preventing the recurrence of similar lapses. In addition, the Committee asked for an update on the recovery of funds for the incorrect disbursements.

80 PMO informed the Committee that NRF would put in place SOPs to facilitate detection of non-fundable items and to establish a process for the documentation of checks done. The SOPs would be disseminated to all NRF staff to ensure consistencies in practice. NRF had since recovered all funds for incorrect disbursements identified in the Report of the Auditor-General.

PMO - No Monitoring of Audit Reports

81 The Committee noted that of the 139 audit reports that were required to be submitted, there were 39 audit reports where NRF did not monitor to ensure that the

required audits were properly carried out. NRF had indicated that it would endeavour to review the audit reports. In this regard, the Committee asked PMO for the measures to ensure that audit reports are reviewed and how PMO would ensure their effectiveness in addressing the gaps and preventing the recurrence of similar lapses. In addition, the Committee asked whether NRF would be reviewing the 39 audit reports considering the significant amount of grants involved.

82 PMO informed the Committee that NRF would put in place a robust process to monitor and review the audit reports to ensure that grants were properly accounted for and used in accordance with NRF's terms and conditions, and that audits are conducted according to appropriate audit terms of reference (TOR). NRF had also started discussions with other grant agencies to standardise the audit terms of reference for all grants. NRF aimed to have a single baseline audit TOR for all National Research Fund programmes and to complete the standardisation by the financial year 2018/19.

83 NRF had since reviewed the 39 audit reports, and would ensure that the observations are addressed in future audits.

PMO - No Procedures to Recover Unutilised Grants from Grant Recipients

84 The Committee noted that NRF would establish clear procedures for the monitoring and recovery of unutilised grants. In this regard, the Committee asked PMO for the measures to ensure this and how PMO would ensure their effectiveness in addressing the gaps and preventing the recurrence of similar lapses.

85 PMO informed the Committee that NRF would establish clear procedures to monitor and follow up with grant recipients to ensure that unutilised funds from completed projects are promptly recovered. This would be done as part of NRF's revision of the National Research Fund Guide.

86 For all the lapses noted by AGO, NRF noted that these were due mainly to the lack of specific and targeted guidelines as well as key steps for grant management in the Fund Guide. In this regard, NRF has formed an internal task force comprising representatives from all NRF directorates to revise the Fund Guide within the financial year 2018/19. NRF would also ensure that the revised Fund Guide provide clarity on its policy approach and the actions expected of stakeholders. The revised Fund Guide will more clearly articulate the grant management process, including the use of positive affirmation as part of its assurance framework, supplemented by a risk-based approach of selective random checks.

87 These measures would be augmented by annual audits by NRF's internal auditors. To complement the internal audits, NRF would request for additional manpower and resources from the MOF to form an in-house assurance team. This team would work with appointed external auditors to supplement the checks for non-compliance with the Fund Guide and to recommend appropriate measures to enhance processes. The team would also oversee the assurance framework, operationalise the risk management framework, and develop a review plan with the internal auditors to extend the audit scope and coordinate regular checks by internal auditors and external auditors at regular intervals.

88 NRF aimed to complete the implementation of all these measures before the end of the financial year 2018/19, with the revised Fund Guide taking effect from 1 April 2019.

89 NRF would also train staff across the national Research, Innovation and Enterprise ecosystem to manage funds as specified by the revised Fund Guide through a workshop in November 2018 and annual refresher courses. Bringing all staff up to the required competency level would be an on-going effort.

E. Other Lapses

90 The Committee also sought written explanation from the Ministry of Education (MOE) on lapses relating to procurement.

MOE – Lapses in Evaluation of Construction and Consultancy Services Tenders

91 The Committee noted lapses including evaluation criteria being changed after the close of tender, contracts awarded to non-compliant offers, errors in scoring and no evidence that sub-criteria were established before the close of tender in the construction and consultancy services tenders test-checked by AGO. MOE had indicated that it would put in place measures to strengthen the tender evaluation process. In this regard, the Committee asked MOE for the measures to strengthen the tender evaluation process, and how MOE would ensure their effectiveness in addressing the gaps and preventing the recurrence of similar lapses.

92 MOE informed the Committee that it had taken the following measures to strengthen the tender evaluation process:

- a. Tender Evaluation Committee (TEC) is required to use standard scoring templates aligned to the evaluation criteria published in the tenders to minimise risks of evaluation criteria being changed after the close of tender.
- b. MOE's operating procedures were revised since March 2018 to require sub-criteria scoring matrix to be recorded and approved by the TEC Chairman before the close of tender.
- c. Dedicated templates for individual disciplines of consultancy tenders (e.g. architectural, mechanical, electrical) would be used to prevent incorrect use of criteria.
- d. Checklist was introduced for TECs and technical advisors (i.e. consultants) to check on areas that are more prone to human errors.
- e. Scoring template was enhanced to prevent scoring errors and to remind TEC members to check accuracy of the scores prior to endorsing them.
- f. More guidance would be provided to officers on the use of the Building and Construction Authority's Price-Quality Method evaluation framework, and the assessment of alternative offers to identify non-compliant offers.

93 MOE would evaluate the effectiveness of the above measures through regular internal audits.

MINUTES OF PROCEEDINGS

7th Meeting

Tuesday, 28th August 2018

10.30 a.m.

PRESENT:

Ms Jessica Tan Soon Neo (*in the Chair*)
Mr Ang Wei Neng
Mr Liang Eng Hwa
Dr Lim Wee Kiak
Mr Leon Perera
Mr Zainal Bin Sapari

ABSENT:

Mr Ang Hin Kee
Ms Tin Pei Ling

1. The Committee considered the Report of the Auditor-General for the Financial Year 2017/18 (Paper Cmd. 16 of 2018).
2. The Committee deliberated.
3. The Committee examined findings contained in the Auditor-General's report and agreed to write to the Ministry of Culture, Community and Youth, Ministry of Defence, Ministry of Education, Ministry of Finance, Ministry of Home Affairs, Ministry of Trade and Industry and the Prime Minister's Office to submit memoranda on matters raised.

Adjourned to 21 November 2018.

MINUTES OF PROCEEDINGS

8th Meeting

Wednesday, 21st November 2018

10.30 a.m.

PRESENT:

Ms Jessica Tan Soon Neo (*in the Chair*)
Mr Ang Hin Kee
Dr Lim Wee Kiak
Mr Liang Eng Hwa
Mr Zainal Bin Sapari

ABSENT:

Mr Leon Perera
Ms Tin Pei Ling

1. The Committee considered the memoranda received from the Ministry of Culture, Community and Youth, Ministry of Defence, Ministry of Education, Ministry of Finance, Ministry of Home Affairs, Ministry of Trade and Industry and the Prime Minister's Office.
2. The Committee deliberated and considered the Chairman's draft report.

Adjourned to 24 January 2019.

MINUTES OF PROCEEDINGS

9th Meeting

Thursday, 24th January 2019

11.15 a.m.

PRESENT:

Ms Jessica Tan Soon Neo (*in the Chair*)
Mr Ang Hin Kee
Mr Ang Wei Neng
Mr Leon Perera
Mr Liang Eng Hwa
Ms Tin Pei Ling
Mr Zainal Bin Sapari

ABSENT:

Dr Lim Wee Kiak

1. The Committee further deliberated.

Report

2. The Chairman's report brought up and read the first time.
3. Resolved, "That the Chairman's report be read a second time paragraph by paragraph."
4. Paragraphs 1 to 93 inclusive read and agreed to.
5. Resolved, "That this report be the report of the Committee to Parliament."
6. Agreed that the Chairman do present the Report to Parliament when copies are available for distribution to Members of Parliament.

Adjourned sine die.