



REPUBLIC OF SINGAPORE

REPORT

OF THE

AUDITOR-GENERAL

FOR THE FINANCIAL YEAR

2022/23



**AUDITOR-GENERAL'S OFFICE
SINGAPORE**

4 July 2023

Madam Halimah Yacob
President
Republic of Singapore

Dear Madam President

In accordance with the provisions of the Audit Act 1966, I am pleased to submit my Report on the audits carried out for the financial year 2022/23.

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
2022/23



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 2022/23.

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 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.

Audit Approach

AGO adopts a risk-based approach in determining the areas to be covered in an audit. In selecting areas for audit, 1 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 2022/23

AGO audited the following:

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

Financial Statements Audits

For the financial year 2022/23, 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 4 statutory boards and 4 Government funds whose financial statements were not audited by AGO.

Thematic Audit

AGO conducted a thematic audit on selected Coronavirus disease 2019 (COVID-19) related grants managed by the Inland Revenue Authority of Singapore (IRAS) and the Singapore Tourism Board (STB).

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 2022/23 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 operations
- Lapses in management of grants
- Weaknesses in IT controls
- Possible irregularities in records furnished for audit
- COVID-19 related grants

(1) Lapses in Procurement and Contract Management

AGO found lapses in procurement and contract management at a few public sector entities including the Ministry of Communications and Information (MCI), the Ministry of Defence (MINDEF), the People's Association (PA) and the Singapore Food Agency (SFA).

In the *Report of the Auditor-General for the Financial Year 2021/22*, AGO had reported lapses in MCI's administration of the first Whole-of-Government Period Contract and Framework Agreement (WOG PCFA) on creative services for communications campaigns. Following the expiry of the first WOG PCFA, MCI established a second WOG PCFA in April 2022. AGO reviewed the tender recommendation report for the second WOG PCFA and found that 5 of the 108 tenderers should not have been appointed to the panel of vendors as they did not meet the evaluation criteria.

AGO noted that MINDEF did not use the correct index to compute the annual cost adjustment of services received under a vehicle maintenance contract. The error resulted in total overpayment of approximately \$0.48 million.

For PA, AGO found lapses in the evaluation and award of 3 tenders. For 2 of the tenders, the evaluation sub-criteria and scoring methodology had been determined after the tenders had closed. For all 3 tenders, the scores given by the Tender Evaluation Committee for certain sub-criteria either could not be substantiated or had been incorrectly assessed. AGO also found that 3 Grassroots Organisations (GROs) had awarded or renewed contracts with 2 debarred contractors during their debarment period.

For SFA, AGO noted that there was inadequate monitoring by SFA to ensure that its managing agents had fulfilled their contractual obligations for facilities and tenancy management, and that SFA had received the full value of services paid for. AGO found lapses at 2 facilities such as encroachment of common areas and blockage of fire equipment, unauthorised addition and alteration works, and poor maintenance of vacant units.

(2) *Lapses in Management of Operations*

AGO noted lapses in the management of operations at PA.

AGO's test checks found that the money management practices for welfare assistance schemes at 2 GROs were inappropriate. The 2 GROs had transferred significant sums of money to the personal bank accounts of a few staff, totalling \$707,000 from April 2019 to May 2022 for 1 GRO and \$334,500 from July 2020 to November 2021 for the other GRO. PA explained that those practices were implemented due to operational needs. The moneys were transferred to the staff's personal bank accounts for cash distribution at festive events and for reimbursing hawkers'/merchants' claims in cash under a voucher assistance scheme. AGO's view is that for proper accountability, moneys of GROs should not be co-mingled with staff's personal moneys. Such practices pose significant risk of loss or misappropriation. The 2 GROs had since stopped those practices.

For 2 community service projects which had been in operation for more than 10 years, AGO noted that the GROs did not enter into formal agreements with their external service partners. Formal agreements are important to clearly set out the objectives and terms and conditions of the project (e.g. duration of partnership), and the roles and responsibilities of the parties involved (e.g. their obligations and liabilities). Without formal agreements, there was no assurance that the interests of PA and the GROs would be properly safeguarded in the event of disputes.

(3) *Lapses in Management of Grants*

AGO found lapses in the management of grants by the Civil Aviation Authority of Singapore (CAAS), resulting in over-disbursements of grants by \$1 million. The over-disbursements were due to erroneous claims made by companies which had included ineligible employees and non-qualifying amounts in their grant claims.

(4) *Weaknesses in IT Controls*

AGO noted weaknesses in IT controls at a few public sector entities, including the Public Service Division (PSD), PA and STB.

The weaknesses in IT controls included those over the management of the most privileged operating system (OS) user accounts at PSD and STB. The most privileged OS account is a powerful account which grants the user full access privileges to the OS, including the ability to make changes to the activity logs, user access rights and security settings, i.e. “root” privileges. It is therefore generally considered a good control to restrict access to the most privileged OS account, and to monitor and review all activities carried out using this account. Any unauthorised activity carried out using the most privileged OS account could compromise the application and database servers, and affect the availability of the systems. AGO found that due to misconfigurations of a security software, OS administrators at PSD and STB, all of whom were IT vendor personnel, could execute any command (including commands not specifically approved) using the “root” privileges.

AGO also found weaknesses in controls over the management of the most privileged database (DB) accounts. At STB, the most privileged DB account was shared by 5 DB administrators, all of whom were IT vendor personnel. Having a single shared account meant that each DB activity performed would not be traceable to the individual administrator. AGO’s review of activity logs at STB further found that the privileged account was accessed numerous times by users who were not DB administrators and did not require such access.

In addition, AGO noted weaknesses in the review of accounts and access rights, and administrators' activities at PSD and STB. The reviews were either not performed, performed but not properly documented, or ineffective due to insufficient or incomplete information in the review logs. Some of those accounts and activities pertained to privileged accounts that were granted powerful access rights.

For PA, AGO's test checks found weaknesses in the management of user accounts in all 3 IT systems audited. When users left service or had stepped down from their appointments in the GROs, the user accounts were either not deactivated or deactivated late. Delays in deactivating or not deactivating unneeded accounts would increase the risk of unauthorised access to the IT systems.

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

AGO noted possible irregularities in the records furnished for AGO's checks in the audits of the State Courts and SFA.

In the audit of the State Courts, AGO's test checks found possible irregularities in quotations provided for a substantial number of star rate items for a development project.

For SFA, AGO found possible irregularities in some of the quotations for ad-hoc works at facilities managed by SFA.

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

(6) *COVID-19 Related Grants*

The Government spent a total of \$72.30 billion on COVID-19 expenditure in the financial years 2020/21 and 2021/22. The spending was for a broad range of measures to safeguard public health and enable safe reopening of economic activities, and to provide support measures for individuals and businesses in the form of grants, financial assistance, tax rebates, financing and vouchers.

AGO carried out thematic audits on COVID-19 spending over 2 parts as follows:

- a. Part 1: In the financial year 2021/22, AGO audited selected COVID-19 related procurement and expenditure at 3 agencies, namely the Ministry of Manpower, the Health Promotion Board and the Singapore Land Authority. The total expenditure subjected to AGO's audit was \$1.51 billion for the period 1 January 2020 to 31 March 2021. AGO's findings can be found in the *Report of the Auditor-General for the Financial Year 2021/22* published in July 2022.
- b. Part 2: In the financial year 2022/23, AGO covered the following COVID-19 grant schemes managed by IRAS and STB – Jobs Support Scheme (JSS), Rental Relief Framework (Rental Cash Grant) (RCG), Rental Support Scheme (RSS) and SingapoRediscovered Vouchers (SRV) scheme. The total expenditure subjected to AGO's audit was \$31.69 billion for the period 1 January 2020 to 30 June 2022. AGO's findings are detailed in this Report.

Together, the COVID-19 expenditure subjected to AGO's audits was \$33.20 billion.

For the thematic audit of COVID-19 grant schemes, AGO found that in general, the Ministry of Finance (MOF) (scheme owner of JSS, RCG and RSS), IRAS and STB had thought through the scheme design and put in place key processes and controls across the various grant stages to ensure proper management of the schemes. AGO noted several good practices, as well as areas where improvements could be made. Key observations across the 5 grant stages are summarised 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 legislation or implementation documents. Proper contracts and agreements were entered into with external parties appointed to administer the schemes' key processes. Approval was also obtained from MOF for the funding of the schemes.

However, AGO noted that documentation could be improved. For example, there was inadequate documentation of MOF's key considerations and decisions on risk assessments and trade-offs during the scheme design stage of JSS. AGO also noted that for JSS, the terms and conditions that would give the Government the legal right to recover erroneous payouts from entities were not communicated at the point when the scheme was implemented.

Stage 2 – Grant Evaluation and Approval

AGO observed that IRAS and STB had established clear roles and responsibilities for the various parties involved in the scheme administration. The assessment of eligibility and computation of grant quantum were automated to reduce human error and to expedite the disbursement of grants.

Nevertheless, AGO noted that eligibility assessment could be improved. The qualifying period used in automatic grant allotment for JSS, and the revenue eligibility assessment of automatic grant allotment for RCG and RSS were not fully in accordance with the requirements stated in the legislation or implementation documents. For the SRV scheme, there was no segregation of roles between the evaluator and approver for decisions on the onboarding of eligible merchants or products.

Stage 3 – Grant Disbursement

AGO noted that IRAS and STB generally had processes and controls in place to ensure that disbursements were properly supported and approved in accordance with the intended objectives, and disbursed in an accurate and timely manner. For JSS, IRAS implemented anti-gaming checks by running analytics to flag out potential gaming cases.

For the SRV scheme, STB had implemented processes to verify the accuracy of the SRV redemptions before making payments to Authorised Booking Partners (ABPs). AGO noted that there was proper segregation of roles between the verifying officer and approving officer for payments.

Nevertheless, AGO noted areas where checks could be improved. For JSS, there is a need for IRAS to implement version change control mechanisms for the anti-gaming scripts used, and better document the assessments and approval of risk scenarios. For the SRV scheme, post-disbursement checks would have helped STB detect cases where individuals had made false declarations or where there were fraudulent redemptions.

Stage 4 – Grant Monitoring and Review

AGO noted that IRAS and STB provided regular updates to their supervising ministries and the WOG Budget Implementation Committee on various areas such as the progress of the schemes.

Nevertheless, AGO noted that MOF could improve on its oversight of recovery of JSS payouts from entities which had already received other forms of Government funding for their manpower costs.

For the SRV scheme, AGO noted that STB did not monitor and follow up with merchants that did not submit the required monthly revenue reports or supporting documents for product eligibility checks.

Stage 5 – Cessation of Grant

At the time of AGO's audit, MOF and IRAS were in the process of planning for the closure of JSS. As for the remaining grant schemes, processes were put in place for the closure of schemes, including the recovery of outstanding overpayments for RCG and RSS, and settlement of outstanding payments to ABPs for the SRV scheme.

Good Practices

AGO observed a number of good practices that IRAS and STB had implemented.

IRAS developed an anti-gaming framework and implemented anti-gaming checks to detect and deter potential gaming behaviour for JSS. Checks and controls were in place to ensure correct grant allotments and disbursements, such as independent pre-disbursement audits on grant allotments and post-disbursement audits or reviews. For RCG and RSS, IRAS also developed a property tenant-occupier network model that leveraged on its existing IT infrastructure and data to facilitate automatic grant disbursements. For manual grant applications, IRAS made it convenient for entities to submit digitally via FormSG or MyTaxMail. In relation to the IT systems used to administer the 3 schemes, IRAS had in place good IT governance practices.

As for STB, it had made use of the Government Technology Agency's system to log all successful SRV redemptions using SingPass. That served as an authenticated source to validate transactions during the reimbursement process. STB also implemented a whistleblowing channel to allow members of the public to provide feedback on possible abuse of the SRV scheme, including unacceptable practices of merchants and ABPs. STB had also conducted audits on each ABP's compliance with STB's requirements while the SRV scheme was ongoing.

Concluding Remarks

AGO noted that the Government had to develop and implement new grant schemes rapidly during the COVID-19 pandemic. Public sector agencies worked within tight timelines and highly fluid conditions to develop scheme parameters and establish processes and procedures for the new schemes. That was on top of their usual operations. As the crisis worsened and Singapore went through a series of liberalisation and tightening phases, schemes had to be adjusted along the way. Schemes that were meant to be one-off ended up being run for longer periods than initially anticipated.

In this regard, AGO would like to share the following observations on rapid implementation of grant schemes during a crisis or emergency:

a. Identify and document key risks involved in rapid implementation of grant schemes

While the risk appetite adopted in a crisis would differ from that adopted during peacetime, it is nonetheless important to establish and document the risk appetite and risk assessments early in the planning stage. Clear articulation of key risks, including mitigating measures and tolerable level of risks to be accepted, would help public sector agencies achieve a common understanding of key risks and make informed decisions when administering the schemes. This is critical for effective governance, especially since the majority of payouts were made via automatic disbursements.

b. Maintain proper governance of scripts and datasets

It is noteworthy that agencies had tapped on their data analytics capabilities to help administer the large volume of moneys disbursed. IRAS developed scripts for anti-gaming checks on employers for JSS while STB developed scripts and datasets to improve its checks on disbursements for the SRV scheme. As the COVID-19 situation evolved and the support measures were adjusted, those scripts and datasets were also updated along the way. It is important to put in place version control mechanisms and ensure proper authorisation for changes made to scripts and datasets, as any erroneous or unauthorised change could result in omissions or errors in flagging out cases for follow-up.

c. Improve the level of documentation and communication of key matters

As there were multiple public sector agencies involved in the design and implementation of the various COVID-19 grant schemes, it is important to document the eligibility criteria and rules clearly so that all implementing agencies use the same criteria.

Ministries and agencies should ensure that terms and conditions for the grants, including the Government's rights to recover any erroneous payment, are explicitly articulated to protect the Government's interest.

For greater accountability and transparency, public sector agencies should ensure sufficient documentation of key decisions made, for example, changes to scheme parameters and evaluation of appeals.

Acknowledgements

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

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

GOH SOON POH
Auditor-General
Singapore

4 July 2023

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 2023, 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 26 June 2023. The President would present to Parliament the audited Financial Statements with the audit report thereon.

Acknowledgements

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

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

Government Ministries and Organs of State

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

Government Funds

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

3. For Government funds whose financial statements are audited by commercial auditors, AGO carries out selective audits in rotation, at least once every 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 2022/23, AGO carried out selective audits of the following 4 Government funds:

- a. Merdeka Generation Fund¹;
- b. Pioneer Generation Fund¹;
- c. Public Transport Fund²; and
- d. SAVER-Premium Fund³.

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

Acknowledgements

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

Selected Observations

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

¹ The Pioneer Generation Fund and Merdeka Generation Fund were established under the Pioneer Generation and Merdeka Generation Funds Act 2014.

² The Public Transport Fund was established under the Public Transport Council Act 1987.

³ The SAVER-Premium Fund was established under the Singapore Armed Forces Act 1972.

MINISTRY OF COMMUNICATIONS AND INFORMATION

Tenderers Appointed Despite Not Meeting Evaluation Criteria

8. In the *Report of the Auditor-General for the Financial Year 2021/22*, AGO had reported lapses in the procurement and contract management of the Whole-of-Government Period Contract and Framework Agreement⁴ (WOG PCFA) on creative services for communications campaigns. The lapses included inadequate evaluation of the tender. The WOG PCFA, administered by the Ministry of Communications and Information (MCI), commenced in October 2018 and ended in April 2022.

9. Following the expiry of the WOG PCFA, a second WOG PCFA was established in April 2022 with a total of 108 tenderers appointed to the panel. The second WOG PCFA was approved at a procurement value of \$300 million.

10. AGO reviewed the tender recommendation report for the second WOG PCFA and found that 5 of the 108 tenderers should not have been appointed as they did not meet the evaluation criteria. The evaluation criteria published in the Invitation to Tender stated that tenderers were to be evaluated based on quality and price. Tenderers were required to obtain a final score of at least 50% to be appointed to the panel of vendors. AGO noted that the 5 tenderers were recommended for award and appointed to the panel of vendors even though they did not obtain a minimum final score of 50%.

11. AGO further noted that of the 5 tenderers who were wrongly appointed, purchases were made from 2 of them during the period 29 April 2022 to 27 July 2022. Four purchase orders with a total value of \$0.39 million were issued to those 2 tenderers.

⁴ Period contracts are established to supply a list of goods and services at a pre-determined rate for a period of time between the vendors and public sector agencies. Under each period contract, there is a Schedule of Rates listing the service items and pre-determined rate at a specified unit of measurement. After a period contract has been established, public sector agencies can directly issue purchase orders for items off the period contract with any of the appointed vendors without calling open tenders or quotations. On the other hand, framework agreement is a procurement approach used where some element of interactive quotation between the public sector agency and the awarded vendors is necessary. Framework agreements are useful for purchases within a broad scope, where it is not feasible to determine the services upfront.

12. MCI informed AGO that it viewed this as a serious lapse. MCI explained that the error over the appointment of the 5 vendors was due to an omission of the pre-set scoring formula for some tenderers. All 5 vendors had since been removed from the panel. As work had already commenced for the 4 purchase orders, the vendors would be allowed to continue with the projects until completion. MCI also informed AGO that it had since strengthened its procurement processes, including setting up a dedicated procurement team and equipping officers with relevant procurement knowledge.

MINISTRY OF DEFENCE

Overpayments for Vehicle Maintenance Services

13. MINDEF entered into a 4-year vehicle maintenance contract which commenced in July 2019, with an option to extend for another 2 years. The contract value was \$115.02 million. Most services under the contract were subject to annual cost adjustments from the second year onwards. To adjust the contract rate, MINDEF would first compute the Cost Adjustment Factor (CAF) for a particular year based on certain indices, before multiplying the CAF by the contract rate used in the preceding year. As the contract rate for any given year was computed using the previous year's contract rate as a base, any error in the CAF for a particular year would have a compounding effect on future years' payments.

14. AGO's checks on payments made under the maintenance contract found that MINDEF had used an incorrect index when computing the annual CAF for the third year of the contract. That resulted in total overpayment of approximately \$0.48 million to the vendor during the period 1 July 2021 to 31 January 2023. MINDEF explained that due to the COVID-19 pandemic, the index that MINDEF would normally have used was not available at the time when the contract was entering into its third year. Hence, MINDEF used the index from the previous year. AGO noted that the use of the previous year's index had led to a higher Year 3 CAF than what it should have been, resulting in the overpayments. Following AGO's observation, MINDEF had recovered the overpaid amount from the vendor in March 2023.

15. MINDEF informed AGO that it had since checked all other contracts where CAFs were computed and confirmed that the relevant CAFs were in order and correctly applied. MINDEF had also promulgated a guide detailing the CAF computation approach to take in the event of exceptional circumstances.

SAVER-PREMIUM FUND

16. For the audit of SAVER-Premium Fund, AGO covered the following areas in its test checks:

- a. Contributions and withdrawals;
- b. Recruitment and retention bonuses; and
- c. Investment.

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

Incorrect Contributions to SAVER-Premium Fund Accounts

17. MINDEF manages and administers the SAVER and Premium Plans to support the financial needs of servicemen (i.e. military officers, warrant officers and specialists) at different stages of their life and career. Under the SAVER Plan for military officers, MINDEF makes regular contributions to the SAVER accounts of these servicemen. The SAVER accounts comprise 3 accounts: the Savings Account (SA), Retirement Account (RA) and Central Provident Fund Top-Up Account (CPFTUA). AGO's test checks of the contributions made to these accounts for the period 1 April 2019 to 31 March 2022 noted 4 instances of incorrect contributions. They comprised over-contributions of \$405 in total to the CPFTUA of 2 servicemen and over-contributions of \$282 in total to the RA of another 2 servicemen.

18. MINDEF explained that the errors arose from system misconfigurations following a policy change to the SAVER and Premium Plans in July 2021. After the change, MINDEF had performed internal checks, rectified the incorrect contributions it detected then, and corrected the system misconfigurations. However, AGO noted that MINDEF did not detect the 4 cases of wrong contributions found by AGO. While the amounts of over-contributions for the 4 cases were small, AGO's concern was that there could be a risk of other cases of wrong contributions arising from the system misconfigurations.

19. Following AGO's audit, MINDEF found an additional 360 cases of over-contributions to servicemen's CPFTUA (amounting to \$164,200), and another 853 cases of incorrect contributions to servicemen's RA. The incorrect contributions to RA comprised 809 cases of over-contributions (amounting to \$90,800) and 44 cases of under-contributions (amounting to \$9,400).

20. MINDEF had since taken follow-up action to rectify all the incorrect contributions. MINDEF confirmed that there were no other errors arising from the system misconfigurations. To avoid future instances of incomplete rectification, MINDEF had developed a checklist to guide staff on the areas to address, to ensure that rectifications were comprehensive.

PRIME MINISTER'S OFFICE

PUBLIC SERVICE DIVISION

21. The Human Resource & Payroll (HRP) system is an integrated Whole-of-Government system used to perform human resource (e.g. personal particulars and leave records) and payroll functions (e.g. salaries, allowances, CPF and pension payments) for personnel in Government ministries, organs of state and statutory boards, pensioners and Home Team NS personnel. The Public Service Division (PSD) had appointed an IT vendor to develop, manage and maintain the HRP system.

22. AGO conducted an IT general controls audit of HRP covering the period April 2022 to January 2023. AGO found weaknesses which may compromise the confidentiality, integrity and availability of the system and data residing in the system.

23. PSD explained to AGO that the HRP system was a highly complex project that integrated 6 key systems to cater to human resource rules for over 500 schemes of service, 1,000 wage types and 700 work schedule rules, serving over 186,000 users. Its IT infrastructure is complex, comprising many servers and interfacing with many external systems.

24. When the HRP system was implemented in October 2021, there were teething issues expected with the rollout of any major system. The vendor also faced difficulties such as staff attrition. That resulted in delays by the vendor in performing operational tasks effectively, such as furnishing information to PSD for logs and accounts review.

25. In April 2022, the HRP Steering Committee co-chaired by PSD and the Accountant-General's Department developed a plan to address gaps and improve operational processes, technical performance of the system and system monitoring. A commercial audit firm was also engaged to conduct a post-commissioning audit to check on security vulnerabilities, penetration tests and configuration reviews.

26. While the HRP system has stabilised sufficiently in early January 2023, PSD recognised that gaps remained and was committed to address the audit findings raised by AGO and to continue improving the system.

27. The weaknesses observed by AGO are presented in the paragraphs that follow.

Weak Controls over the Most Privileged Operating System and Database Accounts

A. Weak Controls over Most Privileged OS Account

28. At the time of AGO's audit in November 2022, 17 of PSD's IT vendor staff performed the role of operating system (OS) administrator of HRP. PSD had configured a security software to allow the OS administrators to execute only a certain number of commands using the privileges of the most privileged OS user account (i.e. "root" account).

29. The most privileged OS user account had full access privileges to make changes to the OS audit logs, OS user access rights and OS security settings. Any unauthorised activity carried out using the “root” privileges could compromise the HRP application and database servers, and affect the availability of the HRP system.

30. AGO’s test checks of 8 HRP application and database servers found that controls over the “root” accounts were weak. The security software was misconfigured in all 8 application and database servers, such that the 17 OS administrators could execute any command with the privileges of the “root” account while executing 5 of the authorised commands. The configuration was not in compliance with the Government Technology Agency (GovTech)’s advisory dated 1 June 2020.

31. PSD informed AGO that they had since remediated the configuration in the security software for all applicable HRP servers. PSD had also performed a retrospective log review for the period December 2022 to March 2023 and ascertained that there were no unauthorised activities performed by the OS administrators. PSD targeted to complete the retrospective log review for the period April 2022 to November 2022 by end June 2023 to ensure that there were no unauthorised activities performed during that period.

B. Weak Controls over Most Privileged DB Account

32. AGO test-checked 2 database (DB) components in the HRP DB in November 2022, and found that the most privileged DB account in 1 of the DB components was activated and last used on 31 October 2022 to perform general system monitoring. That was not in compliance with the HRP Guidelines which required the most privileged DB account to remain deactivated unless needed for specific situations. The most privileged DB account had full access privileges to create and delete databases or users, change configuration files, and perform data backups. Though data modifications could not be performed, the account should only be activated and used in situations where privileged access was required (e.g. to perform emergency tasks or system upgrades), and not used for routine functions such as general system monitoring.

33. AGO further noted that the most privileged DB account was not configured to be disabled after multiple consecutive failed login attempts. That was not in compliance with the Government Instruction Manual on ICT and Smart Systems Management which required the account to be disabled after a certain number of consecutive failed login attempts. As a result, the account was vulnerable to a higher risk of password brute force attacks.

34. PSD informed AGO that they had since deactivated the most privileged DB account in the DB component and configured the account to be disabled after a certain number of consecutive failed login attempts.

Weaknesses in Review of Accounts and Administrators' Activities in IT System

A. No Review/Ineffective Review of Accounts and Access Rights

35. The Government Instruction Manual on ICT and Smart Systems Management and HRP Guidelines require monthly review of privileged/service⁵ accounts to identify accounts that are no longer needed so that they could be suspended/removed in a timely manner. Agencies are also required to conduct quarterly reviews of user accounts to ensure that access rights granted are still required. Such monthly and quarterly reviews are particularly important for privileged accounts as they are granted powerful access rights. Any unauthorised activity performed using these accounts could affect the confidentiality, integrity and availability of the system, and the data residing in the system.

36. AGO test-checked the monthly and quarterly reviews of both privileged and service accounts for 8 HRP servers, 1 database and 2 applications for the period May 2022 to November 2022. AGO noted that:

- a. Monthly reviews had not been conducted on privileged accounts for HRP applications.
- b. 3 monthly reviews of the HRP server accounts and 1 monthly review of privileged/service accounts for the HRP database were not done in an effective manner as the list of accounts reviewed was incomplete. Less than 14% of the HRP server accounts and 4% of HRP database accounts were reviewed.

⁵ Service account refers to an account created to run system services (e.g. backup).

- c. Quarterly reviews of user accounts and access rights for the HRP servers, database and applications had not been conducted.

37. Given the above findings, there was a risk that PSD might not be able to identify any unauthorised, obsolete or unused privileged account which could be exploited to gain access to and disrupt the operations of HRP.

38. PSD informed AGO that its IT vendor had encountered difficulties in manually collating the large number of accounts for timely review. To address that, they had since automated the process to generate accounts in HRP for review. That activity would also be tracked and reported to PSD Director (IT) on a monthly basis from May 2023 onwards to improve management oversight.

B. Weaknesses in Review of Administrators' Activities

39. PSD used the Security Information and Events Management (SIEM) tool to collect logs of OS and DB administrators' activities in HRP. On a weekly basis, all logs of administrators' activities would be generated based on a pre-defined set of criteria for review.

40. AGO test-checked the reviews of the administrators' activities performed in the HRP servers and the database for the period April 2022 to January 2023, and noted that:

- a. There was no review performed on the OS administrators' activities for 4 HRP application servers. Due to a technical issue, the administrators' activities had not been sent to the SIEM tool. As a result, activity logs for the 4 HRP application servers were not generated for review. The activities of the DB administrators performed in the HRP DB were also not reviewed for 6 out of 10 months test-checked.

- b. The reviews performed on the OS and DB administrators' activities were not effective. For example, the review of OS administrators' activities: (i) did not include sufficient details (e.g. nature of activity, who performed it and when it was performed); and (ii) did not capture/fully capture certain activities (e.g. clearance of audit logs and circumvention of security settings) for review. PSD had defined those activities as part of the review criteria, but the activities were not captured in the review logs. There was also no assessment on whether the possible anomalies highlighted from the reviews were authorised, and no documentation on whether follow-up actions were taken to investigate the possible anomalies. For the review of DB administrators' activities, there was no documentary evidence to show that the reviewer had verified that the activities performed were authorised.

41. Without effective reviews of the activities performed by administrators, PSD would not be able to detect whether any unauthorised activity had taken place.

42. PSD informed AGO that the technical issue mentioned in paragraph 40a had been rectified in February 2023 and PSD would incorporate regular checks to prevent recurrence of such issues.

43. As for the observation mentioned in paragraph 40b, with effect from May 2023, the status of the monthly log reviews was reported to PSD Director (IT) to improve oversight of the log reviews. To make the log reviews more effective amid the high volume of log reports, the project team would conduct a feasibility study to use GovTech's Central Service to automate and monitor the review of logs. In addition, the project team would consult the GovTech central team to prioritise the important areas for review to make the reviews more effective. In the meantime, PSD would continue to enhance the existing SIEM solution to improve log review. PSD targeted to complete these actions by end July 2023.

Excessive Access Rights Granted to Encryption/Decryption Keys and Data Files

44. AGO test-checked the access rights to data files (e.g. bank payment files for salaries and allowances) which were exchanged between HRP and external systems/agencies, and the keys used for encryption/decryption of the data files. AGO noted that excessive access rights had been granted as follows:

- a. Full access rights were granted to 12 accounts belonging to IT vendor staff, which exceeded what their roles required. The excessive access rights granted would allow the IT vendor staff to read, create, modify and delete data files in the File Transfer (FT) servers.
- b. The same 12 accounts were also granted excessive access rights to the keys used for encryption/decryption of data files exchanged between HRP and external systems/agencies. In addition, a system group comprising users with access to the FT servers were also granted excessive access rights to the keys used for encryption/decryption of data files. The excessive access rights granted would allow the user to modify or delete the keys which could affect the encryption/decryption process of the data files.

45. PSD explained that during the stabilisation period for HRP, there were several issues with the data files transfer service. The IT vendor staff were therefore granted full access rights so that issues could be resolved expeditiously. PSD acknowledged that there could be clearer segregation of duties among the IT vendor staff as the system stabilises and would redesign the access rights based on clearer segregation of duties. That arrangement would be tested to validate the feasibility and impact to operations before implementing it in production. PSD targeted to complete this by June 2023.

JUDICATURE

STATE COURTS

46. For the audit of a development project under the State Courts, 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.

Development Project Savings Not Promptly Declared

47. AGO observed that the State Courts had not declared project savings, which had arisen from lower tender rates, to the Ministry of Finance (MOF) in a timely manner. The estimated amount of savings at the time the final construction tender was awarded in September 2018 was \$40.17 million (or 7% of the approved project budget of \$593.85 million). The State Courts had made the final payment for the main construction contract in March 2022. The State Courts had yet to declare project savings to MOF at the time of AGO's audit in November 2022. This was a delay of more than 4 years from the time the tender was awarded.

48. MOF's Finance Circular Minute issued in 2014 stipulated that any savings arising from the major tenders for all building and all other development projects exceeding \$100 million, should be declared to MOF, and the approved project cost would be reduced correspondingly by the amount of savings declared. Agencies were required to declare the savings to MOF not more than 1 month after the tender was awarded. MOF subsequently changed the timeframe to 3 months in 2021. The purpose of the MOF circular minute is to ensure fiscal prudence and discipline in the use of public funds. It is mandatory for agencies to declare such project savings so that MOF could redirect the savings towards other projects.

49. The State Courts informed AGO that it had in place proper oversight and financial controls which enabled the development project to be completed within budget, and had ensured that the approved budget was only used for items that were integral to the project. It had not drawn down the said project savings. There was also a finance sub-committee that closely monitored and regularly reported project budget utilisation and expenditure to the Project Steering Committee.

50. The State Courts acknowledged AGO's observation and informed AGO that it had since reported project savings of \$62.74 million to MOF in April 2023. That amount included project savings besides those that arose from lower tender rates. Going forward, for future development projects, it would improve on the reporting and declaration of savings to MOF to be within the stipulated timeframe.

Possible Irregularities in Quotations for Star Rate Items

51. AGO's test checks found possible irregularities in quotations provided for 110 out of 295 star rate items⁶ (totalling \$2.19 million or 52% of the total value of star rate items test-checked) under the main construction contract (contract value of \$450.91 million). As a result, there was inadequate assurance that value for money had been obtained for the star rate items.

52. As AGO had concerns over the authenticity of the quotations provided, AGO recommended that the State Courts carry out an investigation.

53. The State Courts informed AGO that it had since lodged a police report. The State Courts also informed AGO that it would put in place additional measures to strengthen the management of star rate items, including sharing good practices with its officers and incorporating those good practices in its processes.

⁶ Star rate items refer to items for which rates are not listed in the contract.

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 2022/23 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 Singapore¹.

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

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

Selective Audits

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

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

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

6. In the financial year 2022/23, AGO carried out selective audits of the following 4 statutory boards:

- a. Civil Aviation Authority of Singapore;
- b. People's Association;
- c. Singapore Food Agency; and
- d. Temasek Polytechnic.

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 CULTURE, COMMUNITY AND YOUTH

PEOPLE'S ASSOCIATION

10. For the audit of the People's Association (PA), AGO covered the following areas in its data analysis and test checks:

- a. Procurement and payment;
- b. Revenue;
- c. Welfare assistance; and
- d. IT access controls over Volunteer Management System, Grassroots E-Mart System II and Grassroots Financial Accounting System.

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

Lapses in Evaluation and Award of Maintenance and Cleaning Services Tenders

11. AGO test-checked 17 tenders (total approved procurement value [APV] of \$45.95 million) called by PA-headquarters between 1 April 2019 and 31 May 2022. AGO found significant lapses in the evaluation and award of 2 maintenance services tenders and 1 cleaning services tender (total APV of \$35.13 million).

12. The 2 maintenance services tenders (total APV of \$2.98 million for 2 years with options to extend for another 3 years) were awarded to the same tenderer. AGO found that the evaluation sub-criteria and the scoring methodology used had been determined after the tenders had closed. There were 6 bidders for the first tender relating to building, plumbing and sanitary services, and 5 bidders for the second tender relating to mechanical and electrical services. As a result, there was inadequate assurance that the procurements had met Government procurement principles of transparency, and open and fair competition.

13. AGO also found that scores given by the Tender Evaluation Committee (TEC) to the awarded tenderer for some of the quality sub-criteria could not be substantiated as PA was unable to locate any documentation to support the scoring. For example, for the first tender, the TEC had given scores for 4 out of 5 required items when the tenderer had submitted only 2 out of the 5 required items for a quality sub-criterion. In the second tender, scores were given for a quality sub-criterion when the ISO certificate submitted by the tenderer had expired. Had the scores been given correctly based on the tenderer's proposals, the outcome for the 2 tenders could have been different.

14. In addition, for the first tender, there was no evidence that PA had carried out a review to determine if the tenderer should be awarded the contract after it was made aware of information on the tenderer's weak financials before the award. For the second tender, AGO noted that the TEC did not inform the Tender Approving Authority (TAA) that the auditor of the tenderer had issued either a qualified audit opinion or a disclaimer of opinion on the tenderer's financial statements for 2 consecutive years. Those were in relation to figures in the financial statements which were used to compute financial ratios for the tender evaluation. Complete information should be provided to the TAA for it to make an informed decision on the tender award.

15. For the cleaning services tender (APV of \$32.15 million for 3 years with options to extend for another 3 years) which was awarded to 2 tenderers, AGO's test checks found that scores for some of the quality sub-criteria could not be substantiated or had been incorrectly assessed. The lapses noted from AGO's test checks included the following:

- a. For 1 quality sub-criterion, 1 of the awarded tenderers had submitted an incomplete document but was given a full score;
- b. For another quality sub-criterion, instead of giving a full score for a tender proposal which had included a write-up on the delivery of services, the TEC had incorrectly assessed that there was no submission and hence did not give any score;
- c. Testimonials submitted by 2 tenderers had not been awarded any score even though scores should have been given in accordance with the scoring matrix; and

- d. For 1 other quality sub-criterion, the number of projects with contract value of more than \$1.5 million per annum submitted by 3 tenderers (including that from the awarded tenderers) had been incorrectly counted. The awarded tenderer would have received a lower score had the correct number of projects been included in determining the score.

The outcome of the award could have been different if the scores for the quality criteria had been correctly assessed.

16. PA acknowledged the lapses and informed AGO that it had checklists and templates on procurement to guide its staff. Those procedures were drawn up based on the procurement principles of transparency, fairness and value for money. PA would enhance the checklists and templates, and step up training to raise staff awareness on procurement procedures and improve compliance. PA would also hold briefings on key responsibilities, specifically on the need to evaluate based on the published criteria and the importance of documentation, to all members of the TEC before they conduct any tender evaluation.

Contracts Awarded to Debarred Contractors

17. AGO's data analysis on payment records of Grassroots Organisations (GROs) for the period 1 April 2019 to 31 March 2022 (totalling \$297.57 million) found that 3 GROs had awarded or renewed contracts with 2 debarred contractors during their debarment period. PA had paid a total of \$0.41 million to the 2 contractors for the provision of lift maintenance services and security services.

18. The Standing Committee on Debarment (SCOD), which is the central Government authority to decide on actions to be taken against all cases of defaulting tenderers, may debar contractors who had committed infringements or defaults from taking on public sector projects during the debarment period. Reasons for debarment include withdrawals of tenders before award, poor performance reports and violation of safety regulations or requirements. For the above cases noted by AGO, the contractor providing lift maintenance services had been debarred for 5 years (the maximum debarment period meted out by SCOD) while the contractor providing security services had been debarred for 2 years.

19. Of the 3 GROs, 1 had awarded contracts to both debarred contractors. For the contract on security services which was approved for award in February 2017, the debarred contractor had wrongly declared to the GRO that it was not debarred and the GRO did not check on the debarment status. For the other contract on lift maintenance services which commenced in October 2018, AGO was unable to ascertain the reasons for the GRO's award of contract to the debarred contractor as the procurement documents could not be located for AGO's audit.

20. The other 2 GROs had renewed their contracts with the debarred contractor for lift maintenance services. One GRO went ahead to renew the contract with the debarred contractor even though it was informed by the contractor of its debarment status before the renewal of contract. The other GRO renewed the contract with the debarred contractor without checking on the debarment status.

21. The contracts for the provision of lift maintenance and security services by the 2 debarred contractors to the 3 GROs had ended in 2020, 2021 and March 2023.

22. PA acknowledged the lapses and informed AGO that it would review the guidelines and update the procurement checklist and FAQs for GROs to check on debarment status during bid evaluation and contract renewal. PA also informed AGO that moving forward, the archival function of its Grassroots E-Mart System II would facilitate retention of documents submitted for procurement decisions.

Inappropriate Practices in Management of Moneys for Welfare Assistance Schemes

23. AGO test-checked 11 welfare assistance schemes (including festive distributions) managed by 5 GROs for the period 1 April 2019 to 31 May 2022. AGO noted that the money management practices for welfare assistance schemes at 2 GROs were inappropriate and risky.

24. One GRO transferred significant sums of money from its bank account to the personal bank accounts of 2 staff². This was to enable the staff to withdraw the moneys for cash disbursements to welfare assistance recipients at festive events. The total amount transferred to the staff's personal bank accounts was \$707,000 for the period April 2019 to May 2022. The moneys were transferred over 7 instances, with amounts ranging from \$10,000 to \$200,000. For the second GRO, significant sums of money were also transferred to a staff's personal bank account for the staff to reimburse hawkers and merchants for their claims under a voucher assistance scheme. The arrangement was to ensure that the hawkers and merchants could receive their reimbursements in cash promptly. The total amount transferred to the staff's personal bank account was \$334,500 for the period July 2020 to November 2021. That had occurred over 46 instances, with transfer amounts ranging from \$500 to \$21,200.

25. According to PA, those practices were implemented due to operational needs. The moneys were transferred to the staff's personal bank accounts for cash distribution at festive events and for reimbursing hawkers'/merchants' claims in cash promptly. Nevertheless, AGO is of the view that for proper accountability, moneys of GROs should not be co-mingled with staff's personal moneys. The practice of transferring GROs' moneys to staff's personal bank accounts for operational expediency is inappropriate. While AGO's test checks did not find any evidence of moneys being lost or misappropriated in the above 2 cases, such practices pose significant risk of loss or misappropriation. It would also be unfair for the staff to bear the consequences should the moneys be unaccounted for during the process.

26. AGO noted that the 2 GROs had since stopped those practices. The first GRO had stopped the practice from January 2023, after AGO's audit. As for the second GRO, the practice was stopped in November 2021. The reimbursement of hawkers'/merchants' claims under the voucher assistance scheme was subsequently made via electronic transfer instead of cash.

27. PA acknowledged the lapses and informed AGO that it would level up the GROs' capabilities in managing welfare assistance schemes. It would conduct briefings and training on managing moneys in welfare assistance schemes and develop e-learning for staff. PA would also be implementing digital payments for welfare assistance disbursements to reduce cash handling. It would pilot selected GROs to onboard the Government's electronic voucher system before potentially expanding it to more GROs.

² Only 1 staff's personal bank account was involved at any one point in time.

No Formal Agreements with External Service Partners

28. AGO test-checked participant fee revenue collected by 6 GROs (totalling \$157,900 from 1 April 2019 to 31 March 2022) and rental revenue collected by 2 GROs (totalling \$422,000 from 1 April 2019 to 31 March 2022). AGO noted that 2 of the 8 GROs did not enter into formal agreements with external service partners when implementing community projects for residents. Formal agreements are required to clearly set out the objectives and terms and conditions of the project (e.g. duration of partnership), and the roles and responsibilities of the parties involved (e.g. their obligations and liabilities). Without a formal agreement, there was no assurance that the interests of PA and the GROs would be properly safeguarded in the event of disputes. In addition, given that the community services were provided in premises operated by the GROs, PA could potentially be exposed to risks and liabilities in the event of any incident.

29. For the first GRO, the community service project done in collaboration with an external service partner to provide traditional wellness service to residents in a Community Club was initiated in 2012, more than 10 years ago. The participant fee revenue collected by the GRO (on behalf of its external service partner) totalled \$31,900 from 1 April 2019 to 31 May 2022. Of that amount, \$31,700 was retained by the external service partner while the GRO retained the remaining \$200 for administrative costs. AGO observed that there was no formal agreement between the GRO and the external service partner to document the parties' responsibilities, duration of collaboration, terms and conditions of the collaboration, approving party for the amount of fees to be charged, etc. Without a formal agreement, PA's interests would not be safeguarded should any dispute or problem arise with the external service partner. PA might also be held responsible should any incident (e.g. injury to customers caused by therapists) occur in the premises as the service was offered by the GRO and the external service partner to residents.

30. For the second GRO, the community service project involving the rental of pushcarts to operators to sell their merchandise was initiated by the Community Development Council in the early 2000s and then taken over by the GRO. The project aimed to promote social enterprise and provide a means of income for senior citizens and retirees. The rental revenue collected by the GRO totalled \$107,000 from 1 April 2019 to 31 March 2022. At the time of AGO's audit in September 2022, there were 8 pushcart operators who had been renting the pushcarts for at least 3 years. AGO observed that while the GRO had formal rental agreements with individual pushcart operators prior to 2018, there were no formal agreements entered into since 2018. Hence, there was no assurance that the rental terms were properly documented, and that PA's interests would be safeguarded in the event of disputes with the pushcart operators (e.g. rental arrears).

31. AGO understands that the community service projects by both GROs were legacy projects that had started many years ago. For good governance and accountability, the projects should be reviewed periodically to ensure that the project objectives continue to be relevant. To protect its interests, PA should also enter into formal agreements with external service partners when implementing such projects.

32. PA informed AGO that due to legacy issues and routine disposal of financial documents, there was a lack of information on the terms of partnership agreed upon during the onset of the 2 community service projects. That had resulted in both GROs being unable to subsequently follow up with formal agreements with their respective external service partners. PA acknowledged that timely reviews of projects were necessary to ensure their relevance and agreed with the need to enter into formal agreements stating the key parameters of partnership to safeguard PA's and GROs' interests. PA would carry out checks on existing collaborations with external service partners to review their relevance and enter into formal agreements where relevant or required. In the case of the first GRO, PA had reviewed and ceased the project from 30 April 2023. As for the second GRO, it would put in place procedures and document necessary protocols and mandatory requirements in formal agreements with pushcart operators.

Weaknesses in Management of Accounts in IT Systems

33. The Volunteer Management System (VMS) records the personal particulars of Grassroots Leaders (GRLs) and their appointments in grassroots committees. The Grassroots E-Mart System (GEMS) II is used by GROs to facilitate their procurement of goods and services with a value of more than \$6,000 while the Grassroots Financial Accounting System (G-FAST) is an accounting system for GROs' financial transactions (including payments, receipts and journals).

34. AGO's test checks of user accounts in VMS, GEMS II and G-FAST found weaknesses in the management of user accounts in all 3 systems. The Government Instruction Manual on ICT and Smart Systems Management required agencies to disable all accounts on the last day of the user's authorised use, and to remove the accounts and revoke their access rights within the next 5 working days. Agencies were also required to disable accounts after 90 calendar days of inactivity. AGO noted that PA did not fully comply with the requirements.

35. AGO's test checks of user accounts in the 3 IT systems in December 2022 and March 2023 found that 1,801 accounts of users who had left service at PA or had stepped down from their appointments in the GROs between 1 April 2019 and 30 November 2022 had not been deactivated, while another 1,444 accounts of such users were deactivated late. The delays ranged from 5 to 1,427 days (or about 3 years and 11 months) for the former and 1 to 643 days (or about 1 year and 9 months) for the latter, after taking into account the requirement for access rights to be revoked within 5 working days after the user's last day of service. In particular, 16 of those user accounts had been used to log into VMS and G-FAST after the users' last day of service. AGO's review of the audit logs of G-FAST showed that 1 user account had been used to create a total of 6 payment transactions amounting to \$624.85 after the user's last day of service. The audit logs of VMS were not available for AGO's audit.

36. Delays in deactivating or not deactivating unneeded accounts would increase the risk of unauthorised access. Some of those user accounts had been granted access rights to create, edit, and approve GRLs' records and transactions on procurement and payments. That could result in activities such as unauthorised changes to GRLs' records or unauthorised approvals of procurement and payments.

37. PA acknowledged the observations raised by AGO. It informed AGO that VMS would be replaced by the new GRL@PA system in August 2023. PA would tap on the Whole-of-Government Central Account Management (CAM) interface with its human resource system to manage staff access to GEMS II, G-FAST and GRL@PA. When implemented, the staff's last day of service as captured in the human resource system would interface with CAM for the accounts to be deactivated in all systems. PA would also review its current processes to improve the timeliness of updates to information on GRO committees in VMS/GRL@PA and enhance the interface between the systems. In addition, PA would strengthen the design in GEMS II to disable unneeded accounts.

38. As for the 6 payment transactions created after the user had left service, PA explained that the staff had returned his laptop 6 days after his last day of service. That was a deviation from PA's procedures. During those 6 days, the resigned staff had used the PA laptop and accessed his account to clear work. There was no ill intention to misuse the access to the system. PA informed AGO that it had checked the transactions and was satisfied that there was no fraud or abuse.

39. PA informed AGO that under its Standard Operating Procedures (SOP), staff who resigned were reminded during the exit clearance that it was against PA's policy to hold on to IT assets after the last day of service. PA would strengthen compliance with the SOP and ensure all staff return their laptops by the last day of service. PA would also send a reminder to all staff on the exit clearance procedures.

MINISTRY OF SUSTAINABILITY AND THE ENVIRONMENT

SINGAPORE FOOD AGENCY

40. For the audit of the Singapore Food Agency (SFA), AGO covered the following areas in its test checks:

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

- c. Contract management; and
- d. Grants.

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

Inadequate Monitoring of Managing Agents' Work

41. AGO test-checked SFA's facilities and tenancy management and found lapses at 2 facilities (namely Pasir Panjang Wholesale Centre and Jurong Fishery Port). The services were outsourced by SFA to different managing agents (MAs). The total amount paid to the MAs for the period 1 April 2020 to 31 March 2023 was \$6.15 million.

42. The contracts required the MAs to conduct daily inspections to ensure that terms and conditions of tenancy agreements were complied with, e.g. tenants should not carry out any addition and alteration (A&A) works without SFA's written approval, and tenants should not obstruct any fire exit or access to fire equipment. The MAs were also required to carry out weekly/monthly checks on vacant units to ensure that they were not illegally occupied or misused, and were in lettable condition. SFA would rely on the monthly reports submitted by the MAs to assess the work done and the MAs' performance before making payments to the MAs.

43. AGO's site visits to the 2 facilities in December 2022 and January 2023 found lapses in the management of facilities and tenancies at both facilities. The lapses included:

- a. Encroachment of common areas, cluttered corridors and blockage of fire equipment;
- b. 13 instances of unauthorised A&A works;
- c. Unauthorised use of 10 out of 21 vacant units test-checked; and
- d. Poor maintenance of 9 out of 46 vacant units test-checked.

44. While SFA had outsourced the facilities and tenancy management to MAs, SFA remained responsible for the overall maintenance and upkeep of the facilities. The lapses indicated inadequate contract monitoring by SFA to ensure that the MAs had fulfilled their contractual obligations, and that SFA had received the full value of services paid for. There was also a need for SFA to ensure that its tenants abide by the terms and conditions of their tenancy agreements.

45. SFA informed AGO that it had taken action in April 2023 to recover payments from the MAs for the non-performance of work. SFA had also enhanced its contract management regime to include contract management checklists for the MAs, and inspection checklists and training for SFA's contract managers. The MAs had stepped up inspections on the condition of vacant units and checks on unauthorised use of vacant units. Repair works needed to upkeep the units following inspections were ongoing.

46. SFA also informed AGO that it had taken immediate remedial and enforcement actions following AGO's audit. Items that had been blocking fire equipment had been removed. Regular checks and enforcement had also been stepped up to prevent recurrence of encroachment of common areas, cluttered corridors and blockage of fire equipment. SFA had also implemented a plan for the tenants to regularise or remove unauthorised A&A works. SFA would continue to maintain a firm enforcement posture against tenants who breach the tenancy agreements, including serving notice to terminate the tenancies of recalcitrant tenants.

Possible Irregularities Noted in Quotations

47. AGO test-checked 87 quotations for 40 procurements for ad-hoc works at facilities managed by SFA, approved between 1 April 2019 and 31 August 2022 (totalling \$641,200). AGO noted possible irregularities in 29 quotations (or 33%) for 12 procurements (totalling \$84,200). As a result, there was inadequate assurance that the quotations were reflective of fair market prices.

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

49. SFA informed AGO that it had since lodged a police report. SFA also informed AGO that it would review and revise its processes to address the root causes, and exercise greater caution to ensure that rates were reflective of fair market prices.

MINISTRY OF TRANSPORT

CIVIL AVIATION AUTHORITY OF SINGAPORE

50. For the audit of the Civil Aviation Authority of Singapore (CAAS), AGO covered the following areas in its test checks:

- a. Coronavirus disease 2019 (COVID-19) support grants; and
- b. Procurement and payment.

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

Lapses in Management of Grants

51. CAAS administered several grant schemes to support the aviation industry during the COVID-19 pandemic.

52. The total amount disbursed for 1 of the grant schemes for the period 1 September 2020 to 31 March 2022 was \$114.52 million. AGO's test checks of disbursements made for this grant scheme for that period found over-disbursements amounting to \$1 million. The lapses indicated that CAAS' checks and controls were inadequate in ensuring that grants disbursed were valid, accurate and in compliance with grant terms and conditions.

53. For the same grant scheme, AGO also found that certain eligibility criteria were either stated inaccurately or not stated in the grant agreements with 2 companies. Without accurate and complete eligibility criteria, there was a lack of assurance that the disbursements were made based on the intended eligibility criteria.

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

A. Over-disbursements of Grants

55. AGO's test checks found over-disbursements totalling \$1 million for a grant scheme for the period 1 September 2020 to 31 March 2022. The over-disbursements were due to erroneous claims made by companies which had included ineligible employees and non-qualifying amounts (e.g. CPF contributions by employers) in their grant claims. The table below summarises the number of companies and employees with errors noted in the claims and the amount of over-disbursement.

Audit Observation	Number of Companies	Number of Employees	Over-disbursement (\$ million)
Inclusion of ineligible employees in claims	5	74	0.65
Inclusion of non-qualifying amounts in claims	4	447	0.35
Total	9[#]	521[#]	1.00

[#] There were erroneous claims by a few companies for employees which fell under both audit observations. The total number of unique companies and employees were 6 and 498 respectively.

56. Of the \$1 million that was over-disbursed, \$0.65 million was disbursed to 5 companies for 74 employees who were not eligible for the grant. Those employees did not meet criteria such as citizenship or having a valid professional licence during the periods of claim. The remaining over-disbursements of \$0.35 million were made to 4 companies for 447 employees. The companies had included non-qualifying amounts in their claims.

57. AGO noted that \$0.70 million of the over-disbursements was made to 1 company pertaining to claims for more than 350 of its employees.

58. CAAS informed AGO that it had required each company receiving the grants to appoint an external auditor to check and verify that claims were in accordance with the criteria in the grant agreements before the submission of claims. The errors were however not picked up by the external auditors. CAAS would tighten its controls and processes for future grant disbursements. CAAS would also follow up to recover the amounts over-disbursed.

B. Grant Criteria Inaccurately Stated or Not Stated in Grant Agreements

59. For the same grant scheme, AGO's test checks found that the eligibility criteria for 2 categories of employees were either stated inaccurately or not stated in the grant agreements with 2 of the companies. The total disbursements to those 2 companies for the 2 categories of employees for the period 1 September 2020 to 31 March 2022 amounted to \$1.11 million.

60. For 1 of the employee categories, AGO noted that \$0.59 million was disbursed to the 2 companies for 36 employees who did not complete the requisite training as specified by CAAS in the grant agreements. However, that was not detected by CAAS. There was therefore inadequate assurance that proper checks had been performed to ensure that the eligibility criteria were met prior to disbursements. CAAS informed AGO that the training requirements stated in the grant agreements were inaccurate as the agreements did not include other types of training that would be acceptable.

61. For the other employee category, the requirement for the employees to have the relevant licences was not stated in the grant agreements. AGO noted that \$0.52 million was disbursed to the 2 companies for 30 employees from that category.

62. Following AGO's audit, CAAS issued variation agreements to the 2 companies to correct the eligibility criteria in the grant agreements for the 2 categories of employees, to include other acceptable types of training and the required licences. CAAS informed AGO that with the variation agreements, the grant disbursements for employees who met the corrected eligibility criteria would be in order.

63. CAAS also informed AGO that going forward, for future grant disbursements, it would put in place measures to ensure that eligibility criteria stated in grant agreements were accurate and complete. The supporting documentation required in claim submissions would be stated clearly in grant agreements. In addition, as a standard practice, CAAS would conduct a detailed briefing to all grant recipients at the onset of the grant scheme to ensure that they were clear on the eligibility criteria.

PART III

THEMATIC AUDIT – COVID-19 RELATED GRANTS

PART III : THEMATIC AUDIT

1. In the financial year 2022/23, AGO conducted a thematic audit on selected Coronavirus disease 2019 (COVID-19) related grants managed by the Inland Revenue Authority of Singapore (IRAS) and the Singapore Tourism Board (STB).

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 IRAS and STB for their co-operation in the audit. AGO would also like to thank the Ministry of Finance (MOF) for its assistance in the audit.

Background

5. The COVID-19 pandemic was unprecedented in scale and speed of spread. Singapore was faced with simultaneous demand-side and supply-side shocks. To deal decisively with those shocks, the Government mounted a significant economic and fiscal response that was unprecedented in terms of size, scope and speed. The mission was to save lives and preserve livelihoods. Public sector agencies operated under tremendous time pressure; managed overlapping waves of policy planning, implementation and review; repurposed and stretched pre-crisis data, IT systems, manpower resources, and processes for the crisis response. Many public sector agencies had to take on new roles and functions, and administer new assistance measures and schemes within a short time span. That was in addition to their usual operations.

6. The Government spent a total of \$72.30 billion on COVID-19 expenditure in the financial years 2020/21 and 2021/22. The spending was for a broad range of measures to safeguard public health and enable safe reopening of economic activities, and to provide support measures for individuals and businesses in the form of grants, financial assistance, tax rebates, financing and vouchers.

7. AGO carried out thematic audits on COVID-19 spending over 2 parts as follows:

a. Part 1:

Thematic audit in the financial year 2021/22 covering selected COVID-19 related procurement and expenditure at 3 agencies, namely the Ministry of Manpower, the Health Promotion Board and the Singapore Land Authority. The total expenditure subjected to AGO's audit was \$1.51 billion for the period 1 January 2020 to 31 March 2021. AGO's findings can be found in the *Report of the Auditor-General for the Financial Year 2021/22* published in July 2022.

b. Part 2:

Thematic audit in the financial year 2022/23 covering the following COVID-19 grant schemes – Jobs Support Scheme, Rental Relief Framework (Rental Cash Grant), Rental Support Scheme and SingapoRediscovered Vouchers scheme. The total expenditure subjected to AGO's audit was \$31.69 billion for the period 1 January 2020 to 30 June 2022. AGO's findings are detailed in the paragraphs that follow.

Together, the COVID-19 expenditure subjected to AGO's audits was \$33.20 billion.

8. To help agencies better manage grant schemes, MOF had implemented the following key measures at the Whole-of-Government (WOG) level:

a. MOF had earlier, before the onset of the COVID-19 pandemic, set up the Grants Governance Office in October 2019 to coordinate efforts and drive the implementation of a new grants governance framework to ensure proper financial governance and strengthen capabilities in grants administration across WOG. Some of the key initiatives implemented by the Grants Governance Office were as follows.

- A grants governance framework was issued to all agencies in July 2020 to set out clear rules and guidelines on the entire grants management process – from grant design, approval and disbursement, to monitoring and anomaly detection. The framework emphasised the importance of proper planning and risk management, to ensure effective use of public funds and to guard against fraud and abuse.
 - The Grants Governance Office worked with domain leads in fraud detection and investigation (Commercial Affairs Department and IRAS), as well as systems and data analytics (Smart Nation and Digital Government Office and Government Technology Agency), to set baseline standards for such capabilities in grant-giving agencies. Resources such as templates, checklists and handbooks were developed for agencies’ use.
- b. An inter-agency Budget Implementation Committee (BIC), consisting of senior public service leaders, was set up in April 2020 to provide high-level monitoring and guidance for COVID-19 grant schemes. MOF supported the BIC in monitoring the governance of key COVID-19 schemes.
- c. MOF also played a central role in the policy design of the major COVID-19 grant schemes and coordinated the responses with other economic agencies during the pandemic.

Scope of Audit

9. The thematic audit focused on the following COVID-19 grant schemes administered by IRAS and STB during the period 1 January 2020 to 30 June 2022:

Grant Scheme	Total Disbursement (\$ million)
IRAS	
Jobs Support Scheme (JSS)	29,378.68
Rental Cash Grant (RCG) and Rental Support Scheme (RSS)	2,130.91
STB	
SingapoRediscovered Vouchers (SRV) scheme	178.27
Total	31,687.86

10. 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 COVID-19 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 cases 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
 - Whether there were processes and controls in place to take stock of final deliverables and to close the grant scheme (including finalising outstanding cases) in a timely and accurate manner.

11. 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.

12. AGO test-checked a total of 560 samples covering the above grant stages for JSS, RCG, RSS and SRV scheme. 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 systems used to support the schemes.

Summary

13. AGO noted that the JSS, RCG, RSS and SRV schemes involved mainly automatic disbursements on a large scale, unlike the normal grant schemes which were usually through applications by entities or individuals. Automatic disbursement mechanisms were used so that cash could flow quickly to eligible recipients. In general, MOF (scheme owner of JSS, RCG and RSS), IRAS and STB had thought through the scheme design and put in place key processes and controls across the various grant stages to ensure proper management of the schemes. AGO noted that the agencies had implemented several good practices in administering the schemes. AGO also noted areas where improvements could be made.

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

Stage 1 – Grant Design and Setup

15. AGO observed that the grant eligibility criteria and operational requirements for the administration of the grant schemes were properly laid down in legislation or implementation documents. Where external parties were appointed to help administer the schemes' key processes, proper contracts and agreements were entered into on the requirements to be complied with. Approval was also obtained from MOF for the funding of the schemes.

16. However, AGO noted that documentation could be improved. For example, there was inadequate documentation of MOF's key considerations and decisions on risk assessments and trade-offs during the scheme design stage of JSS. AGO also noted that the notification letters to entities receiving JSS payouts did not include any terms and conditions that would give the Government the legal right to recover erroneous payouts from entities. The terms and conditions were subsequently published on the JSS website in August 2021, more than a year after the inception of the scheme.

Stage 2 – Grant Evaluation and Approval

17. AGO observed that IRAS and STB had established clear roles and responsibilities for the various parties¹ involved in the scheme administration, such as in determining grant eligibility, and in the processing and disbursement of grants. The assessment of eligibility and computation of grant quantum were automated, leveraging on IT systems and data to reduce human error and to expedite the disbursement of grants. In the case of JSS, the grant allotment process and computed amounts were also audited by a commercial auditor before disbursements were made.

¹ For JSS, the sectoral lead agencies identified the list of entities that qualified for JSS in various industry sectors (e.g. aviation and aerospace, and tourism) based on the eligibility criteria. For RCG and RSS, relevant agencies provided IRAS with their lists of non-profit organisations (e.g. charities and trade associations) that were eligible for rental grants, for processing. For the SRV scheme, Authorised Booking Partners were appointed by STB to provide platforms for merchants approved by STB to list their SRV products.

18. For appeals and manual grant applications, there was a proper channel for entities to lodge cases. There was segregation of roles between the evaluator and the approving officer for such cases. Approving authorities and approving limits were also established. A set of procedures and guidelines was developed to ensure that cases were reviewed in a proper and consistent manner.

19. Nevertheless, AGO noted that eligibility assessment could be improved. For JSS, the qualifying period used for automatic grant allotment was not in accordance with the requirements stated in the implementation documents. AGO also found cases where appeal assessments were not adequately substantiated, or where the names of evaluators were not indicated and/or approvals were not documented.

20. For RCG and RSS, the revenue eligibility assessment for automatic grant allotment was not fully in accordance with requirements stated in the legislation/implementation document. AGO also noted instances where manual grant assessments were not adequately substantiated, or where there were wrong eligibility assessments and incorrect grant amounts computed.

21. For the SRV scheme, there was no segregation of roles between the evaluator and approver for decisions on the onboarding of eligible merchants or products. AGO found several instances where evaluations for merchants' onboarding were not adequately substantiated or ineligible merchants were onboarded. In addition, there were numerous products sold where the merchants did not submit the required documents to STB for eligibility checks.

Stage 3 – Grant Disbursement

22. AGO noted that IRAS and STB generally had processes and controls in place to ensure that disbursements were properly supported and approved in accordance with the intended objectives, and disbursed in an accurate and timely manner. For JSS, RCG and RSS managed by IRAS, grant disbursement was mainly done via automatic disbursements based on approved allotments. In the case of JSS, IRAS also implemented anti-gaming checks by running an analytics model based on various risk scenarios to flag out potential gaming cases.

23. For the SRV scheme, STB had put in place processes to verify the accuracy of the SRV redemptions before making payments to Authorised Booking Partners (ABPs). AGO noted that there was proper segregation of roles between the verifying officer and approving officer for payments.

24. Nevertheless, AGO noted areas where checks could be improved. For JSS, based on AGO's test checks, while the anti-gaming checks were useful and properly carried out, AGO noted the need for version change control mechanisms for the scripts used and better documentation of the assessments and approval of the risk scenarios. IRAS could also improve on the blocking of entities from JSS payouts, for example, when potential gaming cases were identified for follow-up or when entities had voluntarily declined earlier payouts.

25. For the SRV scheme, post-disbursement checks would have helped STB detect cases where individuals had made false declarations or where there were fraudulent redemptions.

Stage 4 – Grant Monitoring and Review

26. AGO noted that IRAS and STB provided regular updates to their supervising ministries on areas such as payouts and redemptions made, recoveries and budget utilisation. Both agencies also provided regular updates to the BIC on areas such as the progress of the schemes. For STB, it had also established a whistleblowing channel on its website for feedback by members of the public on cases where merchants might be engaged in fraudulent or dishonest behaviours.

27. Nevertheless, AGO noted that MOF could improve on its oversight of recovery of JSS payouts from entities which had already received other forms of Government funding for their manpower costs.

28. As automatic disbursements carry a higher risk of grants being given to unintended recipients, IRAS could also do more to follow up on the voluntary return of erroneous RCG and RSS grants to ascertain whether there were any systemic issues for the errors.

29. In the case of the SRV scheme, AGO noted that STB did not monitor and follow up with merchants that did not submit the required monthly revenue reports or supporting documents for product eligibility checks.

Stage 5 – Cessation of Grant

30. AGO noted that MOF and IRAS were in the process of planning for the closure of JSS, including the recovery arrangement for outstanding overpayments, at the time of AGO’s audit. For RCG and RSS, processes were put in place as part of closure of these schemes, including recovery of outstanding overpayments through arrangements such as offsets against other Government grants to be given to the recipients.

31. For the SRV scheme, processes were put in place as part of closure of the scheme, including the settling of any outstanding payment to be made to the ABPs.

Key Messages

32. AGO noted that the Government had to develop and implement new grant schemes rapidly during the COVID-19 pandemic to provide financial support to employers, businesses, workers, individuals and households. Many of the support measures were special one-off schemes to address specific challenges during the crisis. Public sector agencies worked within tight timelines and highly fluid conditions to develop scheme parameters and establish processes and procedures to ensure that financial assistance was delivered promptly and correctly to the intended recipients. They had to improvise or adapt existing systems and processes to use in a crisis situation. As the crisis worsened and Singapore went through a series of liberalisation and tightening phases, schemes had to be adjusted along the way. Schemes that were meant to be one-off ended up being run for longer periods than initially anticipated.

33. In this regard, AGO would like to share the following observations about rapid implementation of grant schemes during a crisis or emergency:

a. Identify and document key risks involved in rapid implementation of grant schemes

While the risk appetite adopted in a crisis would differ from that adopted during peacetime, it is nonetheless important to establish and document the risk appetite and risk assessments early in the planning stage. Clear articulation of key risks, including mitigating measures and tolerable level of risks to be accepted, would help public sector agencies make informed decisions when administering the schemes. This is critical for effective governance, especially since the majority of payouts were made via automatic disbursements.

AGO noted that risk assessments were performed and documented to varying degrees for the COVID-19 grant schemes audited. A positive example was the risk assessments carried out by IRAS for RSS. Key risks, including the risk assessment and level of accepted risks, were clearly articulated and documented, with approval given by the scheme owner, MOF.

As many of the COVID-19 grant schemes involved multiple public sector agencies, both in designing and implementing the schemes, it is important to ensure a common understanding of key risks amongst all agencies involved.

An assessment should also be made on whether there are risks that go beyond the main policy owner and implementing agency, and how shared risks should be managed. One example would be an assessment of the downstream impact on the accuracy of disbursements to recipients if the lead agency's eligibility checks are not fully in line with the scheme criteria.

b. Maintain proper governance of scripts and datasets

It is noteworthy that agencies had tapped on their data analytics capabilities to help administer the large volume of moneys disbursed. IRAS developed scripts for anti-gaming checks on employers for JSS while STB developed scripts and datasets to improve its checks on disbursements for the SRV scheme. As the COVID-19 situation evolved and the support measures were adjusted, those scripts and datasets were also updated along the way. It is important to put in place version control mechanisms and ensure proper authorisation for changes made to scripts and datasets, as any erroneous or unauthorised change could result in omissions or errors in flagging out cases for follow-up.

c. Improve the level of documentation and communication of key matters

As there were multiple public sector agencies involved in the design and implementation of the various COVID-19 grant schemes, it is important to document the eligibility criteria and rules clearly so that all implementing agencies use the same criteria.

Ministries and agencies should ensure that terms and conditions for the grants are explicitly articulated to protect the Government's interest. For example, there should be written terms and conditions to inform recipients that the Government reserves the right to recover any erroneous payment.

It is also important that there is sufficient documentation of key decisions made, for example, changes to scheme parameters and evaluation of appeals. This is for greater accountability and transparency.

34. Details of the key observations for IRAS and STB, including good practices implemented, are reflected in the paragraphs that follow.

MINISTRY OF FINANCE

INLAND REVENUE AUTHORITY OF SINGAPORE

35. IRAS played a key role in the COVID-19 pandemic by managing a number of important support measures for employers and businesses such as the JSS and rental grant schemes.

Jobs Support Scheme

36. The Government announced the JSS in February 2020 under the Unity Budget. The scheme sought to provide wage support to help employers retain their local employees, i.e. Singapore Citizens and Singapore Permanent Residents, during the period of economic uncertainty caused by the COVID-19 pandemic.

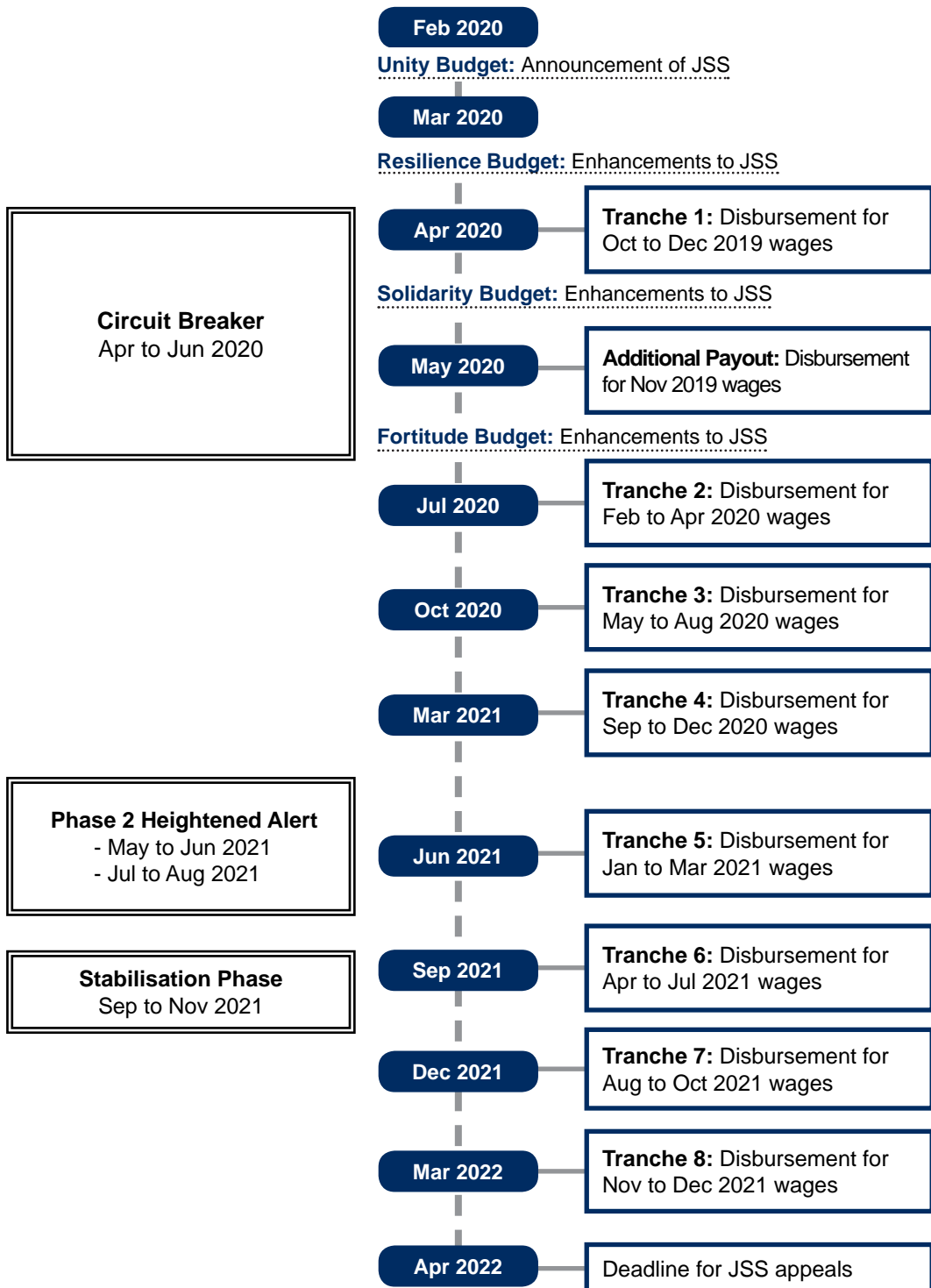
37. Under JSS, the Government co-funded a proportion of the first \$4,600 of gross monthly wages paid to each local employee. All active employers, except Government organisations (local and foreign) and representative offices, were eligible for JSS. Payouts were computed based on CPF contributions paid by employers to their local employees and disbursed automatically to employers.

38. In February 2020, JSS payout was set at 8% of gross monthly wages but was subsequently enhanced as the pandemic worsened globally and in Singapore. During the Circuit Breaker, the support level for all businesses went up to 75%. Subsequently, the quantum of JSS support was tiered for firms that were allowed to re-open and were not as severely affected by the pandemic. Employers who did not qualify for JSS or who wished to appeal for a higher level of JSS support could appeal to the respective sectoral lead agencies² or MOF.

39. The timeline relating to key events of JSS is shown in **Figure 1**.

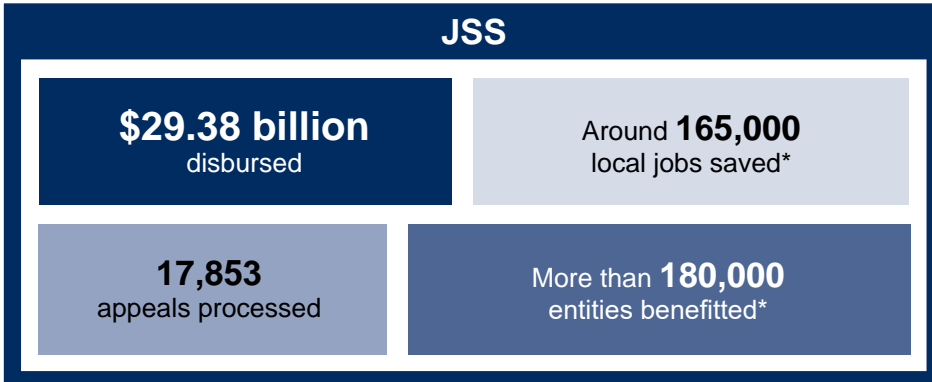
² There were 15 sectoral lead agencies, i.e. Ministry of Communications and Information, Ministry of Culture, Community and Youth, Ministry of National Development, Ministry of Transport, Building and Construction Authority, Economic Development Board, Enterprise Singapore, Info-communications Media Development Authority, Land Transport Authority of Singapore, Maritime and Port Authority of Singapore, Monetary Authority of Singapore, National Arts Council, National Heritage Board, Singapore Tourism Board and Singapore Sports Council (also known as Sport Singapore).

Figure 1: JSS – Timeline (Key Milestones)



40. A total of \$29.38 billion³ was disbursed under JSS for the period 1 April 2020 to 30 June 2022. The key statistics relating to JSS are shown in **Figure 2**.

Figure 2: Key Statistics of JSS as of 30 June 2022



* Source: MOF website

41. MOF was the policy owner of JSS. IRAS was appointed as the administrator of JSS with the Central Provident Fund Board (CPF Board) as the supporting administrator. CPF Board’s role was to compute the allotment amounts to eligible entities based on the grant criteria, and to transmit the data to IRAS, which would then process the disbursements to eligible entities.

42. Within the short period of time after JSS was announced, MOF and IRAS developed the scheme parameters and processes, built an anti-gaming framework where data analytics was conducted based on various risk profiles, and designed processes for grant appeals. MOF also worked closely with IRAS and CPF Board to ensure that the allotment and disbursement of the grant payouts were done expeditiously. That enabled the first disbursement of the JSS to be made 2 months after the announcement, just as the Government announced the Circuit Breaker.

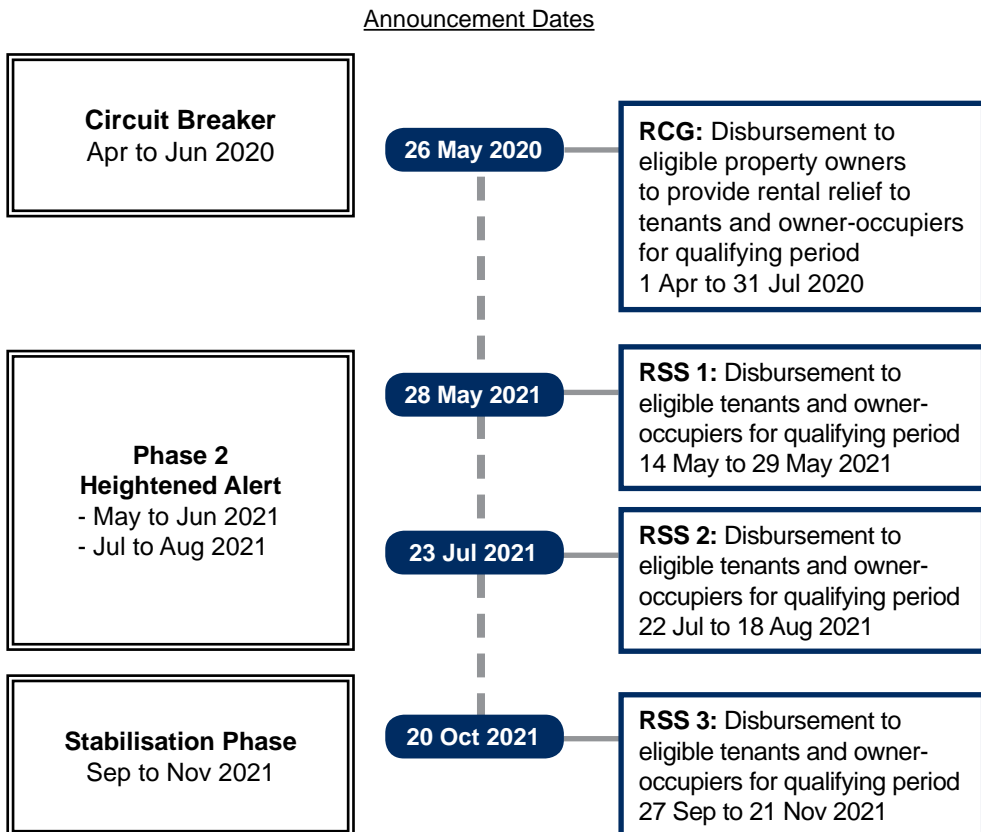
43. AGO test-checked a total of 313 samples for JSS covering the various grant stages for the period 1 January 2020 to 30 June 2022. In addition to the sample checks, AGO performed data analysis where relevant data was available and carried out test checks on possible exceptions highlighted from the analysis. AGO also conducted an audit of the IT general controls and application controls over the systems used to support the scheme.

³ The \$29.38 billion comprised \$27.85 billion paid out over 8 tranches and the additional payout in May 2020, and \$1.53 billion under appeals.

Rental Cash Grant and Rental Support Scheme

44. In addition to JSS, IRAS managed 2 rental grant schemes, namely RCG and RSS. RCG was announced by the Government in May 2020 to mandate equitable co-sharing of rental obligations among the Government, landlords and tenants. It applied to commercial properties and non-residential properties such as industrial properties and office buildings. Subsequent to the announcement of RCG, the Government announced RSS in May 2021. Unlike RCG, rental support under RSS was given only to commercial properties as they were more affected by tightened measures during the Phase 2 Heightened Alert period. A total of 3 RSS tranches were implemented. For RCG, the grants were disbursed to property owners to provide rental waivers to their tenants, and to provide relief for owner-occupiers. For RSS, the grants were directly disbursed to the tenants and owner-occupiers. The timeline relating to key events of RCG and RSS is shown in **Figure 3**.

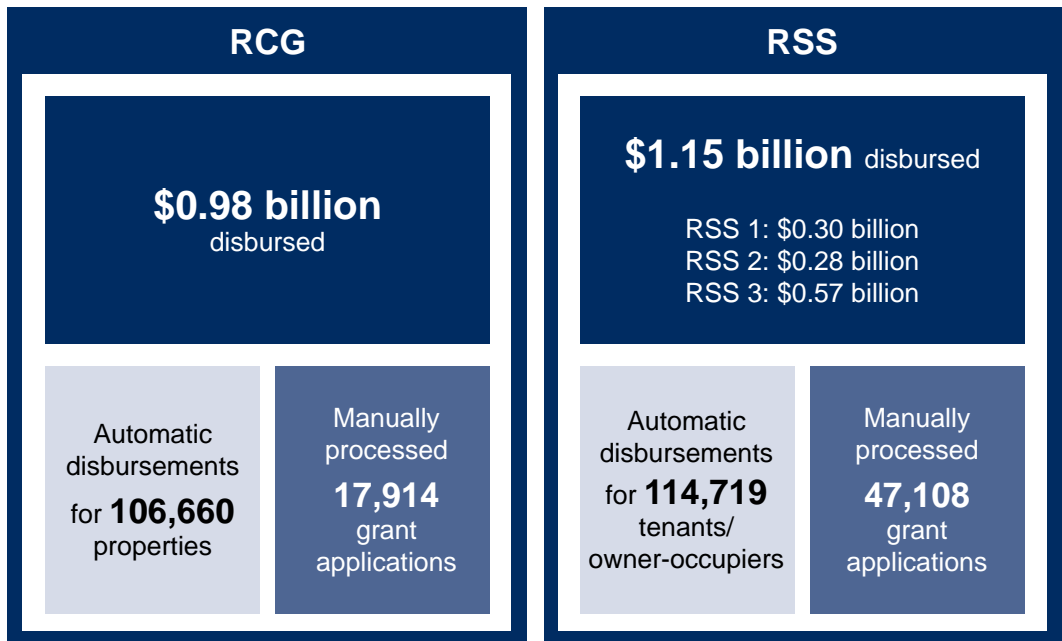
Figure 3: RCG and RSS – Timeline (Key Milestones)



45. The qualifying grant recipients under RCG and the various RSS tranches were determined based on qualifying leases or licences. To be eligible for the rental grants, the leases or licences must be entered into before the stipulated cut-off dates and must be in force during the stipulated qualifying periods. For RCG, the grant quantum was computed based on the annual value of the qualifying properties. For RSS, the rental support was computed based on the annual value for owner-occupied properties or contracted gross rent for tenanted properties.

46. The key statistics relating to RCG and RSS are shown in **Figure 4**.

Figure 4: Key Statistics of RCG and RSS as of 30 June 2022



47. MOF was the policy owner for RCG and RSS, and IRAS was the administrator of the schemes. Within a short period of time, MOF and IRAS developed policies and relevant legislation, and built an analytical model to assess the eligibility of grant recipients. The first grants were disbursed as quickly as within 3 months from the announcement dates of RCG and RSS. In all, there were about 220,000 automatic disbursements and 65,000 manual grant applications processed under RCG and RSS.

48. AGO test-checked a total of 132 samples for RCG and RSS covering the various grant stages for the period 1 January 2020 to 30 June 2022. 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 systems used to support the schemes.

Summary of Audit Observations

49. AGO noted that in general, MOF and IRAS had thought through the scheme design and put in place the necessary controls across the various grant stages to ensure proper management of JSS, RCG and RSS.

50. AGO also noted that despite the extremely short timeframe given for the implementation of the schemes, MOF and IRAS had implemented several good practices to ensure that the grant schemes were administered in accordance with the grant objectives and that grant payouts were given to the intended recipients.

a. **JSS**

- Pre-disbursement audits on allotments of payouts for all JSS tranches were carried out by an external commercial auditor before the amounts were disbursed.
- Anti-gaming checks were carried out by IRAS to detect and deter potential gaming behaviour. IRAS developed an anti-gaming framework based on several risk scenarios and reported cases of fraud to the Police as appropriate.
- As part of post-disbursement checks, the Accountant-General's Department, as the internal auditor of MOF, carried out an audit in January 2022 to assess the adequacy and effectiveness of controls over appeals. Observations were highlighted to MOF and IRAS for their follow-up.

b. RCG and RSS

- IRAS quickly developed a property tenant-occupier network model that leveraged on its existing IT infrastructure and data to facilitate automatic grant disbursements. That enabled IRAS to process a large number of disbursements within a short period of time.
- For manual grant applications, IRAS made it convenient for entities to submit their applications digitally via FormSG or MyTaxMail. Applicants could use SingPass or CorpPass for authentication. IRAS also used its digital platform system as a central repository to maintain key documents and assessments made on grant applications.
- Multiple checks were put in place to ensure correct grant allotments and disbursements, including built-in controls in the system and independent checks by its internal audit, prior to grant disbursements, to identify discrepancies and duplicate allotments for follow-up. Post-disbursement reviews for manual grant cases were also conducted to identify potential erroneous payments.

c. MOF and IRAS provided regular updates to the BIC on areas such as the amount of grants disbursed and returned, and status of recovery for erroneous disbursements.

d. In relation to the IT systems used to process the schemes, AGO noted that IRAS had good IT governance practices in the areas of review of activities carried out by privileged users, change management and management of system security configurations.

51. Nevertheless, MOF and IRAS could improve on the following areas:

JSS

- a. Ensure adequate documentation of key considerations and decisions taken following risk assessment during the scheme design stage of JSS.

- b. Strengthen controls over the evaluation and approval of appeals to ensure that the assessment was adequately substantiated, the evaluators were clearly indicated in the submissions for approval, and there was proper documentation of approval by the approving authority.
- c. Have proper version control for the scripts used for anti-gaming checks and better documentation on the assessment and approval of the risk scenarios.
- d. Improve the monitoring of recovery of excess payouts and ensure timeliness and accuracy of recovery.

RCG and RSS

- e. Ensure adequate documentation of key considerations and decisions taken following risk assessment during the scheme design stage of RCG.
- f. Ensure that the relevant legislation and implementation requirements relating to RCG and RSS were consistent with policy intent so that decisions would be properly executed to achieve the scheme objectives.
- g. Improve the evaluation of grant applications to ensure proper assessment of grant eligibility and computation of grant quantum.
- h. Improve the monitoring and follow-up on the return of RCG and RSS grants by entities.

52. The key observations are in the following paragraphs.

Jobs Support Scheme

Inadequate Documentation on Risk Assessments

53. AGO noted that there was inadequate documentation of MOF's key considerations and decisions relating to risk assessment and trade-offs during the scheme design of JSS. Without such documentation, there was inadequate assurance that there was proper risk assessment done or that the level of tolerable risk had been accepted and approved by the relevant authority at MOF prior to implementation.

54. MOF explained that the operating context in 2020 and 2021 was that of crisis management. Decisions had to be made quickly during meetings followed by immediate implementation. Although documentation on decisions might not have been fully comprehensive, policy parameters of the JSS had been duly deliberated and approved by MOF.

55. While AGO understands MOF's operational constraints, it is important to have sufficient documentation to support the key decisions made, including the risk assessments done, key risk factors considered as well as the acceptable risk tolerance level. This is critical for effective governance, especially since JSS payouts amounted to a substantial \$29.38 billion and involved automatic disbursements.

56. MOF informed AGO that it would consider how best to draw up guidelines to document key decisions and conduct risk assessments, in preparation for future crises. MOF would also ensure documentation was prepared as soon as the situation had eased sufficiently if there was insufficient time for documentation at the height of the crisis.

Cut-off Dates Used for Jobs Support Scheme Allotment Not in Accordance with Approved Dates

57. JSS allotment to each eligible entity was computed based on wages derived from CPF contributions made by the employer for its local employees. AGO found that for 7 of the JSS tranches, the cut-off dates for inclusion of CPF contributions in the computation was 6 to 7 working days later than that stipulated in the implementation document⁴. AGO was informed that it was to cater for the processing time to clear CPF contribution cheques from employers. However, the extension of the cut-off dates would result in CPF contributions (both electronic and cheque payments) that fell outside the stipulated qualifying period being included in the JSS computation, resulting in higher payments. AGO was unable to sight evidence that MOF, as the policy owner, had approved those revised cut-off dates after considering and accepting such a risk.

58. MOF explained that it had agreed to the extension of the cut-off dates. MOF was prepared to grant firms an extended cut-off period given the cashflow difficulties that businesses were facing during the COVID-19 period. However, that was not explicitly documented in the JSS Implementation Document as MOF had deemed the decision for extended cut-off dates to be detailing of an operational process beyond the coverage of the document. Nevertheless, MOF acknowledged AGO's recommendation to indicate approvals for changes more explicitly.

Evaluation and Approval of Appeals could be Improved

59. Under the JSS framework, employers who were not eligible for automatic disbursements or who wished to obtain support for a higher-tier JSS payout could make an appeal. AGO's test checks of 73 appeal cases (disbursements totalling \$80.09 million) found that the evaluation and approval for 48 cases⁵ processed by MOF (disbursements totalling \$79.70 million) could be improved.

⁴ The qualifying period for each tranche was specified in the JSS Implementation Document. That document, developed by MOF together with IRAS and CPF, set out the policies and business requirements for the implementation of the JSS.

⁵ Some cases had more than 1 lapse.

A. Appeal Assessment Not Adequately Substantiated

60. AGO's test checks found 12 appeal cases (disbursements totalling \$0.68 million) where the assessment could have been better substantiated. For example, 1 criterion was whether the appellants had suffered at least 50% revenue decline due to COVID-19. MOF was not able to provide supporting documents to show how it had determined the revenue loss suffered by the appellants to decide whether to approve or reject the cases.

61. While AGO understands the challenges faced and the need to ensure that eligible entities receive their JSS payouts promptly, it was important that appeals were properly assessed and substantiated. That was to ensure that JSS payouts were only made to eligible entities and MOF would be able to justify the appeal decisions in the event of disputes.

B. Evaluators Not Indicated in Submission to Approving Authority

62. AGO's test checks found 24 cases (disbursements totalling \$46.05 million) where the names of the officers who had evaluated the appeals were not indicated in the submission to seek approval from the approving authority. Hence, it would be difficult to identify the officers who had processed the cases should there be a need to follow up on the cases, especially in the event of disputes by appellants. AGO further noted that the master file used to track appeal cases also did not include key information such as the date of appeal and the date of assessment.

63. AGO is of the view that key information such as the name of evaluator, date of appeal and date of assessment should be properly documented and maintained. That would enable the tracing of the appeal cases to the relevant evaluators and documents when needed.

C. No Documentation of Approvals for Appeals

64. AGO noted 41 cases (disbursements totalling \$79.56 million) where there was no documentation to show the approval of the appeal decisions by the approving authority. For 37 cases, MOF could not provide both the submission seeking approval of the appeal decisions and the approval given by the approving authority. For the remaining 4 cases, MOF could only provide the submissions seeking approval of the appeal decisions but not the approval given by the approving authority. Without such documentary evidence, there was no assurance that the decisions were properly approved by the appropriate approving authority. For good governance and proper accountability, appeal decisions and related approvals should be documented and properly maintained.

65. AGO also noted that for 29 cases (disbursements totalling \$46.39 million) of the 73 appeal cases test-checked, the approving authority had approved the appeal decisions even though the assessments were not adequately substantiated and/or there were no evaluators indicated. That further indicated that the review and approval process for appeal decisions could be improved.

66. MOF acknowledged that the documentation of appeal cases for JSS could be more rigorous and the knowledge transfer between officers during handovers could be improved. MOF informed AGO that it would review the measures to ensure that evaluations and approvals of appeal cases were properly assessed and documented for future schemes.

Anti-gaming Checks could be Improved

67. To address the risks of potential gaming, IRAS implemented anti-gaming checks by running an automated script to flag out potential gaming cases based on various risk scenarios. The script for each JSS tranche would be updated when there were refinements to the scenarios to be tested. Anti-gaming checks were important as they served as a key control to mitigate the risk of grants being given to ineligible entities, especially given that JSS was the first scheme where automatic disbursements of payouts were made on such a large scale and the JSS amounts were substantial.

68. AGO's review found a few areas of improvement relating to IRAS' anti-gaming checks, such as the need for proper version change control mechanisms for the anti-gaming scripts used and better documentation of the assessment and approval of the risk scenarios being tested. While AGO understands that anti-gaming checks were done on a risk-based approach, the areas highlighted by AGO could be considered for future relevant schemes to improve the checks.

69. IRAS informed AGO that it would seek to improve its anti-gaming checks for future schemes, including better documentation and maintaining version change control mechanisms for the scripts used for the identification of potential gaming cases.

Lapses in Blocking Entities from Receiving Payouts

70. Based on IRAS' procedures, entities would be blocked from JSS payouts when they voluntarily declined any payout or when potential gaming cases were identified for follow-up. AGO's test checks on 15 entities that had voluntarily declined receiving JSS, found 1 case where a subsequent payout was still processed due to a system limitation in blocking the payout. After AGO highlighted the concern to IRAS, IRAS carried out checks for 3 JSS tranches affected by the system limitation and found that payouts for 116 entities totalling \$0.14 million were processed even though they were supposed to be blocked. Hence, there was a risk that there could have been other cases for other JSS tranches where payouts were processed and disbursed although they were supposed to be blocked.

71. For 30 of the 116 cases, IRAS would be following up with the entities to determine the actions to be taken. For the remaining 86 cases, IRAS' follow-up found that the cases did not require further action, as either no actual payouts were made due to various reasons (e.g. entities were not carrying on any business) or the entities were subsequently found to be eligible for the payouts.

72. IRAS informed AGO that it would be performing further checks to ascertain whether there were other cases that were not properly blocked and would take action to recover erroneous payouts, if any. That would be done as part of the JSS closure. IRAS also informed AGO that it was working on a new enterprise disbursement system. The new system would provide IRAS with greater flexibility in configuring the system for future grant schemes.

Lapses in Recovery of Payouts from Government-funded Entities

73. Government-funded entities (GFEs) include hospitals, autonomous universities and arts institutions. As they were already receiving Government funding to help cover their manpower costs, MOF made a policy decision in July 2020 to recover JSS payouts given to these entities, taking into account their existing funding arrangements with the Government. MOF then worked with the respective ministries, which were funding the GFEs, on the extent of recovery to be made. A tracking record was maintained by MOF to monitor and track the outstanding JSS payouts to be recovered from the GFEs through the ministries.

74. AGO noted that there were 130 GFEs that had received JSS payouts amounting to \$1.60 billion. AGO's test checks found weaknesses such as delays in follow-up and recovery from GFEs, and inaccurate and incomplete records to monitor those cases.

A. *Delays in Follow-up and Recovery from GFEs*

75. AGO noted delays in the follow-up of recovery of JSS payouts from 38 GFEs (disbursements totalling \$1.07 billion) as of 31 December 2022, with delays of up to 1.8 years. It was only after AGO's query that MOF had, from January 2023, followed up with the ministries involved to determine the amounts to be recovered. MOF informed AGO that \$0.26 million had since been recovered from 2 GFEs and at least \$52 million needed to be recovered from another 9 GFEs. For the remaining 27 GFEs, MOF was still confirming with the ministries the total amount to be recovered as of March 2023.

76. AGO is of the view that there should be better oversight of the monitoring of recoveries. Delays in follow-up could increase the risk of the Government not being able to recover the JSS payouts.

77. MOF acknowledged that it could have requested for more regular updates from the ministries involved and monitored the recoveries more closely. It said that those recoveries were initiated during the Phase 2 Heightened Alert period in May 2021, and the ministries involved had to prioritise their resources to deal with more pressing public health issues at that point of time.

B. Inaccurate and Incomplete Records on Recovery Cases

78. At the time of audit in December 2022, AGO noted that the tracking record used by MOF to monitor and track the outstanding JSS payouts to be recovered from the GFEs was only updated till August 2021. The JSS payouts disbursed to the GFEs from September 2021 to March 2022 (disbursements totalling \$7.29 million) which should have been assessed for recovery were not included in the tracking record. AGO also noted inaccuracies in the tracking record. Those included amounts recovered not being updated, and discrepancies in the recovery status such as the recovery status being indicated as “*Not applicable*” for recovery due to “*No JSS*” being paid, although JSS payouts were in fact disbursed to the GFEs. In that regard, there was inadequate assurance that all GFEs which were supposed to return JSS payouts had been correctly and completely identified, and that the required recoveries were properly monitored.

79. MOF informed AGO that it had since recovered the outstanding amounts from all known entities, except for healthcare-related entities. The healthcare-related entities were at the frontline of the COVID-19 crisis and more time was needed to sort out the funding issues. MOF is currently working with the healthcare-related entities on the recovery.

Rental Cash Grant/Rental Support Scheme

No Documentary Evidence of Approval on Risk Assessment for Rental Cash Grant

80. AGO noted that there was no documentary evidence of approval by MOF on the risk assessment and key factors considered in the scheme design for RCG. There was also no documentation on the acceptable level of risks (e.g. the estimated proportion of disbursements to unintended recipients as compared to total RCG disbursements). Without such documentary evidence, there was inadequate assurance that the risk assessment and consideration of key factors were approved by MOF prior to the implementation of RCG. Documentation is important, especially since RCG amounted to a significant \$979.09 million and involved automatic disbursements.

81. MOF and IRAS explained that the operating context in 2020 and 2021 was that of crisis management. Decisions had to be made quickly with implementation having to follow immediately. MOF further shared that after the experience with RCG, an improvement to the documentation was made by developing an implementation document that detailed the key policy parameters for RSS. According to MOF, while documentation on decisions might not have been complete, the policy parameters and risk assessment for both RCG and RSS were duly deliberated and endorsed by MOF senior management. AGO understands the need to implement the rental grant schemes quickly during the COVID-19 period. In that regard, it would be useful to put in place guidelines requiring a reasonable level of documentation for key decisions taken and the considerations behind them, including the risk assessments done and the acceptable level of risks to be taken.

82. MOF and IRAS acknowledged that they would do better for future schemes by ensuring better documentation for key decisions and risk assessments.

Evaluation of Rental Grants could be Improved

83. AGO's test checks of 128 RCG and RSS manual grant allotments and data analysis on specific risk areas found lapses in 55 allotments. The lapses included wrong evaluation of grant eligibility, incorrect computation of grant amount and inadequate substantiation of the evaluation. As a result, there were estimated excess and shortfall in grant disbursements totalling \$8.01 million and \$0.48 million respectively. The details are as follows:

- a. 17 grant allotments (disbursements totalling \$7.89 million) were incorrectly given to 6 ineligible entities due mainly to oversight of officers evaluating the manual grant applications. For 1 of the cases involving a grant disbursement of \$7.46 million, the lapse was due to IRAS relying on information provided by a public sector agency which showed that the entity concerned had met the revenue eligibility requirement although it had not.
- b. 26 grant allotments (disbursements totalling \$3.04 million) for 14 entities where the grant amounts were incorrectly computed due to errors such as wrong annual value used or inclusion of ineligible cost items. That resulted in excess grants of \$0.12 million being disbursed and shortfall of grants of \$0.48 million.

- c. 12 grant allotments (disbursements totalling \$0.29 million) for 9 entities where the grant evaluation (relating to grant disbursements totalling \$0.14 million) was not adequately substantiated with supporting documents (e.g. copies of tenancy agreements).

84. IRAS informed AGO that it had recovered or initiated recovery for the grants wrongly disbursed or given in excess. It would also be taking remedial action to disburse the grant shortfall where appropriate.

85. IRAS explained that given the intense time pressure during the crisis period, there were inadvertent errors by the officers who had to process voluminous manual applications. For the case involving the grant of \$7.46 million, the public sector agency involved would perform the requisite checks to ascertain if there were other cases that did not meet the revenue eligibility requirement. IRAS would work with the public sector agency to recover any grant erroneously disbursed. In addition, MOF and the relevant agencies involved would take into account the need to perform the requisite checks when implementing future schemes.

Grant Eligibility Not Assessed in Accordance with Legislation or Requirements

86. According to the legislation⁶ and RSS implementation requirements⁷, in order to be eligible for RCG and RSS, the entity should have carried on business for 12 months or longer in the relevant year and the entity's revenue in the year should not exceed \$100 million. In cases where the business had been carried out for less than 12 months in the relevant year, the subsequent year's revenue for a period of at least 12 months should be used to determine the entity's eligibility for the rental grants.

⁶ Refers to the COVID-19 (Temporary Measures) (Rental and Related Measures) Regulations 2020 which was applicable for RCG.

⁷ For RSS, the eligibility criteria and key matters relating to the scheme were stipulated in the Implementation Document jointly developed by MOF and IRAS.

87. AGO's data analysis found that for 2,237 grant allotments (totalling \$23.25 million) for 958 entities, the grant eligibility assessment was not carried out in accordance with the legislation or RSS implementation requirements. Due to the configuration of system rules for automatic grant allotments, the revenue eligibility of the entities was only assessed based on the relevant year even for cases where there were less than 12 months of revenue in that year. As a result, for 12 of the 958 entities, a total of \$3.55 million was disbursed to them even though they were not eligible. For the remaining 946 entities, they were subsequently found by IRAS to be eligible as their subsequent year's revenue was within the revenue eligibility threshold. Had it been otherwise, the grants would have been wrongly given to these entities.

88. IRAS informed AGO that due to the concurrent implementation of many work streams, system rules were developed based on MOF's policy intent and approved parameters before the legislation/RSS implementation requirements were finalised. According to IRAS, while the system rules were developed based on policy intent, the legislation/RSS implementation requirements were not always consistent with policy intent. IRAS also shared that most of the grants disbursed to the 12 ineligible entities had already been returned to IRAS. For the remaining grants, MOF and IRAS had made a considered decision that no recovery was necessary.

89. In AGO's view, it is important to ensure that the relevant legislation, implementation requirements and stated policy intent are reflected consistently so that decisions can be properly executed to achieve the scheme objectives. This is especially so as most of the RCG and RSS payouts were made via automatic disbursements.

90. MOF informed AGO that it had refined the standard operating procedures (SOP) on the required checks and clearance levels for legislation drafting, and would continue to improve the processes, including for emergency situations.

Follow-up on Return of Grants could be Improved

91. From 1 January 2020 to 30 June 2022, there were 7,458 cases of RCG and RSS payouts (disbursements totalling \$88.59 million) that were returned by entities to IRAS. AGO noted that IRAS could do more to monitor and follow up on the return of grants by entities to address any possible systemic issue. The areas of improvement are as follows:

- a. For grants voluntarily returned by entities, IRAS would accept the grant returns without analysing the reasons for the return (if any) provided by the entities to see if there were potential systemic issues (e.g. data limitation resulting in some non-matching of addresses) that required follow-up⁸.
- b. For cases where an entity was found to be ineligible for 1 rental grant scheme (e.g. RCG) and the underlying systemic reason for ineligibility was also applicable for another rental grant scheme (e.g. RSS), IRAS did not have a process to ascertain the need to block the entity from automatically receiving subsequent rental grants or to recover any grant already disbursed⁹.

92. As automatic disbursements run a higher risk of grants being given to unintended recipients, AGO is of the view that it is important to put in place proper monitoring of grant returns to assess whether there could be systemic issues. That would help to improve the schemes' effectiveness.

93. MOF and IRAS explained that given the crisis period when officers were working under time pressure to disburse grants, IRAS had to weigh the benefits of following up on the reasons for the return of grants against the resources required to do so. As not all the eligibility criteria for RCG and RSS were the same, there was a likelihood that entities not eligible for RCG may qualify for RSS. One mitigating measure IRAS had put in place was to request owners of qualifying properties to declare if their properties were vacant prior to RSS automatic disbursements so that grants would not be given out for vacant properties.

⁸ For example, AGO's test checks found that for grants returned by entities (disbursements totalling \$6.97 million) relating to ineligible properties, IRAS did not assess whether there were systemic issues that led to the return of grants. For those cases, automatic disbursements were wrongly made for the ineligible properties due to data limitations. Such data limitations could also affect the payouts for other grant recipients under the same rental grant scheme or other similar grant schemes.

⁹ For example, AGO noted that 3 entities had to return rental grant payouts twice, 1 each for RCG and RSS (disbursements totalling \$8.17 million) as they were not eligible, but were not blocked from receiving the subsequent RSS grants. As IRAS had not assessed the reason for the original RCG return, it was not aware that data limitations had caused the same entity to be wrongly assessed as eligible for RSS.

Gaps in Granting of User Access Rights

94. AGO's review of 222 user accounts in the system used by IRAS to process manual grant applications found that the access rights granted to 136 accounts (or 61%) were not properly supported by requests from the relevant officers-in-charge. That was contrary to the requirement under the IRAS IT policy. For 27 of those accounts, IRAS was unable to provide any supporting document for the granting of access rights. For the remaining 109 accounts, IRAS could only provide documents such as the emails on the deployment of those users to process RCG/RSS grant applications, but there was no indication of the access rights to be granted. As the system was used for manual grant evaluation and approval, and contained sensitive entity information (e.g. entity revenue data and tenancy details), it was important that there were adequate controls over the granting of user access rights to reduce the risk of unauthorised access and changes to information.

95. IRAS explained that there were instances where the access rights were requested verbally or through other communication modes for quick execution. IRAS also explained that while the emails on deployment of officers did not explicitly include the requests for access to the system, there was an implicit understanding that these officers should have access to the system to do their work. According to IRAS, there was no access granted to unauthorised officers. IRAS recognised the importance of controls over access rights, and would ensure compliance and proper documentation for future schemes.

MINISTRY OF TRADE AND INDUSTRY

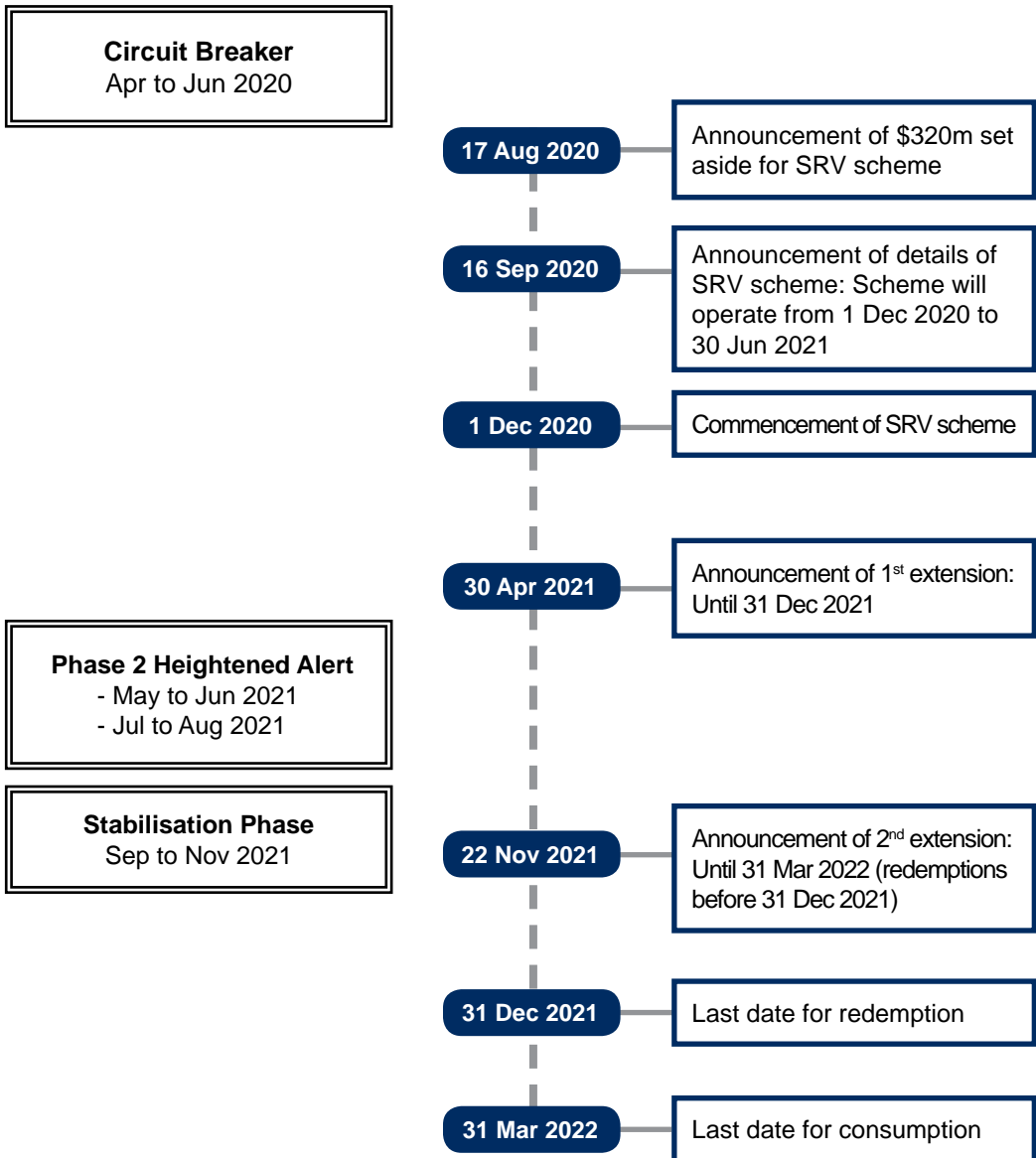
SINGAPORE TOURISM BOARD

96. Singapore's tourism sector was severely affected by the COVID-19 outbreak as countries put in place unprecedented travel restrictions and shut their borders.

SingapoRediscovered Vouchers Scheme

97. In July 2020, STB was asked to design and implement the SingapoRediscovered Vouchers (SRV) scheme to stimulate domestic tourism. The SRV scheme had 2 objectives – to support the tourism sector, and to promote a sense of belonging and well-being among Singaporeans. The scheme was announced by the Government in August 2020. The timeline relating to key events of the SRV scheme is shown in **Figure 5**.

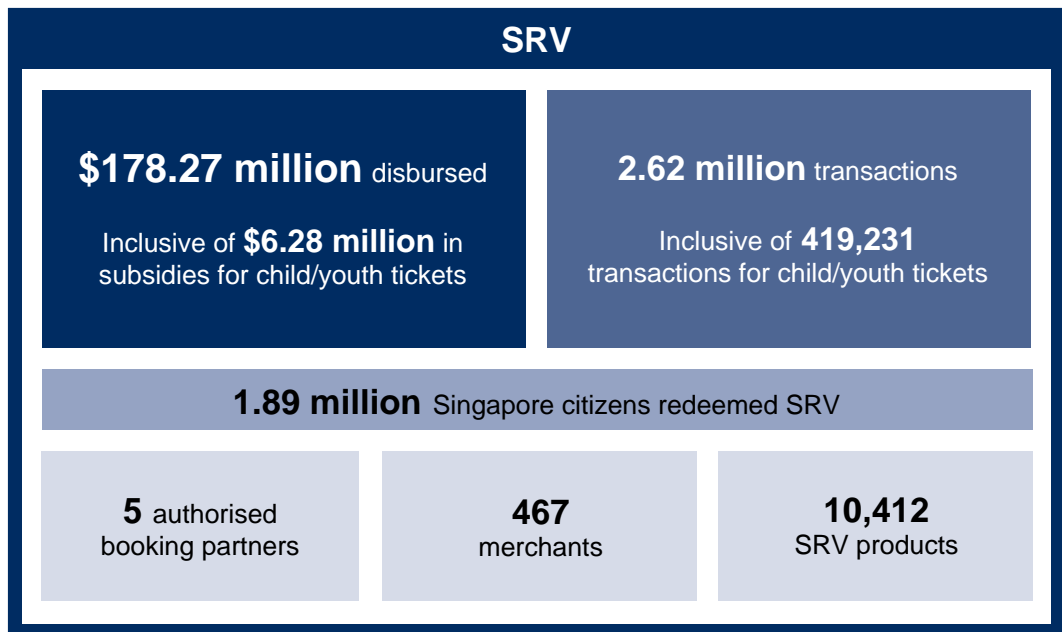
Figure 5: SRV Scheme – Timeline (Key Milestones)



98. Under the SRV scheme, each Singapore Citizen (SC) aged 18 years and above (as at December 2020) would receive \$100 worth of vouchers which could be redeemed using their SingPass accounts. The vouchers could be used for hotel stays, attraction tickets and/or tours offered by approved merchants. The Government also provided a \$10 subsidy for each child/youth ticket for those below 18 years, capped at 6 tickets for each SC. To facilitate redemptions, STB appointed 5 Authorised Booking Partners (ABPs) to provide booking platforms for SCs to redeem their vouchers. Merchants had to meet the eligibility criteria set out by STB before they could be onboarded to the SRV scheme. In addition, merchants were only allowed to sell products (e.g. tour packages) that had met STB’s eligibility criteria.

99. The key statistics relating to the SRV scheme are shown in **Figure 6**.

Figure 6: Key Statistics of the SRV Scheme as of 30 June 2022



100. STB had a short span of 4 months to work through the scheme details, operations and processes. During that period, STB engaged over 400 tourism establishments to help them understand how they could come onboard the SRV scheme, identified suitable booking partners, and trained over 100 staff (both internal staff and newly-contracted short-term hires) to execute the SRV scheme. Key processes such as digital redemptions by individuals, approval process for merchants and products, and the reconciliation process for a large volume of payment transactions also had to be developed.

101. As the pandemic situation was fluid and constantly evolving, STB had to correspondingly adjust the SRV scheme along the way. The adjustments included accommodating refunds and exchanges of products during the Phase 2 Heightened Alert period, drawing up processes to allow for the scanning of NRICs as an additional mode to digital redemption, and extending the scheme duration to give citizens more time to use their vouchers.

102. AGO test-checked a total of 115 samples covering the various grant stages for the period 1 January 2020 to 30 June 2022. In addition to the sample checks, AGO performed data analysis where relevant data was available and carried out test checks on the possible exceptions noted in the analysis. AGO also conducted an audit of the IT general controls and application controls over the systems used to support the scheme.

103. AGO noted that in general, STB had thought through the scheme design and put in place the necessary controls across the various grant stages to ensure proper management of the SRV scheme.

104. Although it was the first time that STB had to launch a nationwide digital-only voucher scheme for individuals, AGO observed that STB had put in place several good practices to facilitate the redemptions and processing of SRV transactions.

- a. STB had made use of the Government Technology Agency (GovTech)'s system to log all successful SRV redemptions made using SingPass. That served as an authenticated source for STB to validate the transactions submitted by the ABPs to STB to support their reimbursement claims.
- b. STB implemented a whistleblowing channel to allow members of the public to provide feedback on possible abuse of the SRV scheme, including unacceptable practices of merchants and ABPs. It was through such feedback that STB discovered the fraudulent cashback arrangements made by an errant travel agency.
- c. The contracts/agreements between STB and the ABPs/merchants included clauses allowing STB to conduct audits of the ABPs and merchants. STB had appointed a commercial auditor to conduct audits on each ABP's compliance with STB's requirements while the SRV scheme was ongoing.

- d. STB provided regular updates to both the Budget Implementation Committee and STB's supervising Ministry, the Ministry of Trade and Industry (MTI), on key statistics such as utilisation rate, total number of SRV redemptions and total revenue generated for the economy.

105. Nevertheless, STB could improve on the following areas:

- a. Strengthen controls over the evaluation and approval of merchants and assessment of products' eligibility to ensure that only eligible merchants/products were onboarded, and ensure proper segregation of evaluator and approver roles.
- b. Enhance controls (e.g. by conducting post-disbursement checks) to detect possible gaming of the SRV scheme.
- c. Improve the monitoring and follow-up on potential ineligible products being sold by merchants, as well as on merchants' compliance with the scheme's terms and conditions.
- d. Strengthen IT controls to ensure the integrity and availability of the system and data used to support the SRV scheme, especially in areas such as the granting and review of privileged access rights and monitoring of privileged activities.

106. The key observations are in the following paragraphs.

Inadequate Controls to Ensure Only Eligible Merchants and Products were Onboarded

107. AGO noted that there were inadequate controls over the onboarding of merchants and checks on the eligibility of products sold under the SRV scheme. AGO test-checked 80 merchants (disbursements totalling \$93.19 million) and found that 12 merchants (disbursements totalling \$17.84 million) were onboarded to the SRV scheme even though there were inadequate supporting documents to show that they had met an eligibility criterion on tourist visitorship. Another 2 merchants (disbursements totalling \$2.79 million) were also onboarded despite not meeting an eligibility criterion which required merchants to have obtained approval from MTI for tour reopening at the point of STB's evaluation.

108. AGO's test checks on the listed products of the 80 merchants further found that 950 products sold by 37 merchants (disbursements totalling \$4.81 million) were onboarded even though there were no product lists¹⁰ submitted by the merchants to STB for eligibility checks. AGO's data analysis also found 12 ineligible products sold by 6 merchants¹¹ (disbursements totalling \$23,300). The products, which were tour packages, did not meet the eligibility criterion which required the price of the core product to be more than half of the overall package price.

109. For the checks on eligibility of both merchants and products, AGO noted that there was no documentation on the evaluation carried out by STB officers. There was also no segregation of roles as a single officer could perform the entire process from evaluation to deciding on the onboarding of the merchant or product. STB's procedures did not require a separate officer to review and approve the merchant or product after an evaluation was made.

110. Taken together, there was inadequate assurance that STB had a robust process to ensure that only eligible merchants and products were onboarded. It is important to have proper checks in place to better ensure the achievement of the SRV scheme's objective of supporting the tourism industry.

111. STB explained that given the large number of merchants and products and the urgency to onboard them, it had streamlined the onboarding process for operational feasibility within tight resourcing constraints. STB acknowledged that the process of evaluating merchant and product eligibility should have been more systematic and documented more accurately. It would improve on them for any future scheme and also provide more clarity in its SOP, including segregating the roles of the evaluator and approver. For future schemes with large numbers of qualifying products to be assessed, STB would also leverage on technology and digital tools for more efficient checks.

¹⁰ Based on the terms and conditions, merchants were required to submit their initial product lists to STB within 10 days of STB's confirmation of receipt of the merchant's acceptance of the terms and conditions. For new products that were introduced subsequently, merchants were required to submit their new product lists to STB within 3 days of listing of products on the ABPs' platforms. The product lists should include information such as detailed description and a breakdown of price for core and support products for packages.

¹¹ 1 of the merchants was also among the 37 who did not submit product lists to STB for the products that were onboarded.

Disbursements Made for Ineligible Persons

112. Based on AGO's data analysis on SRV transactions, there were disbursements totalling \$119,800 for redemptions made for ineligible persons. Those included redemptions of subsidised tickets for "children/youths" when they were in fact not below 18 years and redemptions made for deceased persons.

A. SRV Redemptions for Ineligible "Children/Youths"

113. During the SRV scheme period from 1 December 2020 to 31 December 2021, there were 419,231 SRV redemptions for subsidised child/youth tickets (disbursements totalling \$6.28 million). Based on AGO's data analysis of identification number details of the declared children/youths, AGO noted that 5,718 SCs had made redemptions with subsidies totalling \$117,200 for 6,506 ineligible persons who were not below 18 years. Included in those were redemptions for 10 persons with invalid identification numbers. AGO's further analysis found that 4,466 of the 6,506 ineligible persons had in fact made SRV redemptions for adult tickets. In that regard, the SCs could have made a false declaration to enjoy the subsidies for children/youths.

114. STB explained that due to the short lead time to implement the entire SRV redemption system, no system checks were put in place to validate the age of declared children/youths. There were also challenges in implementing effective system checks such as difficulties in verifying the identities of such persons through MyInfo as they did not have SingPass accounts.

B. SRV Redemptions for Persons Deceased at Point of Redemption

115. AGO also found 35 redemptions (disbursements totalling \$2,600) made using SingPass accounts of 30 persons who were deceased at the point of redemption. Eighteen redemptions were made 1 day to 7.6 months after the date of death registration of the persons, while 17 redemptions were made on the date of death registration.

116. STB explained that 4 redemptions were made using the NRICs of the deceased persons at the physical NRIC scanning counters due to oversight of the SRV ambassadors who had not conducted proper facial verification checks. The remaining 31 redemptions were due to delays in deactivating the deceased persons' SingPass accounts, that had allowed other persons to misuse the SingPass accounts of the deceased persons to make the redemptions.

117. While AGO understands the challenges faced by STB in implementing real-time checks to detect persons gaming the SRV scheme, AGO is of the view that post-disbursement checks would have helped STB detect instances where persons had made false declarations or fraudulent redemptions.

118. STB explained that it had designed the SRV scheme to be as seamless as possible for SCs and hence decided to rely on declarations by adults when redeeming the child/youth subsidies. STB would consider the feasibility of ascertaining the identities of children/youths and their familial relationships, should there be such a requirement for future schemes. STB would also consider the appropriate follow-up actions relating to persons who had made false declarations to redeem the vouchers, weighing the implications against the resources required for the follow-up.

Potential Exceptions Not Followed Up

119. As part of SRV payment checks, STB would run an automated script to verify whether the SRV transactions with merchants relate to products which had been onboarded on the SRV scheme (i.e. whitelisted). Transactions relating to products not whitelisted would be flagged out for follow-up by STB officers to ascertain whether ineligible products had been sold by merchants.

120. AGO's data analysis of SRV transactions noted 7,363 products sold (in 284,384 transactions totalling \$24.49 million) which were not whitelisted by STB. AGO's test checks of 803 products (in 3,217 transactions totalling \$0.27 million) found that STB did not follow up on the transactions flagged out by its automated script until after AGO had highlighted the cases in December 2022, which was 1 to 2 years later. Without proper follow-up, STB was exposed to the risk of merchants selling ineligible products.

121. STB informed AGO that it had since reviewed the 3,217 transactions and did not find any ineligible product sold. However, AGO's test checks found that some of those transactions were for packages (e.g. tours that included a core product and support product) but there was no price breakdown of the packages in the supporting documents. In that regard, it was not clear how STB had concluded that the products had met its eligibility criterion (i.e. price of core product must form more than half of the overall package price).

122. STB explained that it had to balance between operational constraints and ensuring that the necessary checks were performed. STB had conducted checks on all the products prior to the launch of the SRV scheme, and spot checks on new products post-launch. STB acknowledged that it could have better documented those spot checks.

No Monitoring on Merchants' Compliance with Terms and Conditions

123. AGO noted that there was no documentary evidence that STB had monitored merchants' compliance with the mandatory requirement to submit monthly revenue reports¹² to STB. AGO's test checks of 80 merchants found 65 merchants who had not complied with that requirement. Despite not receiving many of the reports or receiving them late, STB did not follow up with the merchants for the reports. A summary of the cases noted is as follows:

- a. 26 merchants did not submit 1 or more revenue reports – a total of 262 reports required were not submitted;
- b. 26 merchants were late in submitting the revenue reports – a total of 219 reports submitted were late, with delays ranging from 5 days to 1.6 years; and
- c. 13 merchants did not submit 1 or more revenue reports, with a total of 85 reports required not submitted. They were also late in submitting 45 reports, with delays ranging from 9 days to 5.3 months.

124. STB explained that due to resource constraints, the monitoring and follow-up on merchants' submission of monthly revenue reports were done on an ad-hoc basis. While AGO understands the challenges that STB faced, proper monitoring and timely follow-up on merchants' non-compliance with terms and conditions were crucial to ensure that merchants took the requirements seriously, and for STB to assess whether the scheme objectives were met.

125. STB informed AGO that it would ensure proper monitoring and timely follow-up on compliance with its terms and conditions for future schemes.

¹² The revenue reports were for monitoring the corporate health of the merchants on the SRV scheme, which was 1 of the indicators to be tracked by STB to ensure that the SRV scheme objectives were met.

Weaknesses in IT Access Controls

126. AGO noted that there were inadequate access controls over STB's intranet pages where the merchant and product whitelists were maintained. The merchant and product whitelists were used by STB's automated script to ascertain whether the transactions with merchants were for eligible merchants and products.

A. No Evidence of Approval for Granting of User Access Rights

127. AGO noted that there was no documentary evidence of approval for the granting of access rights to 28 STB officers with read and write access to the merchant whitelist, and 655 STB officers with read and write access to the product whitelist.

128. According to STB, the creators of the intranet pages decided who should have access to the pages but there was no documentation on the approval. As the whitelists were key documents used during SRV payment reconciliation, AGO is of the view that for proper accountability, there should be proper documentation of approvals to grant user access to the relevant intranet pages.

B. No Review of User Access Rights and Activities Performed

129. AGO also noted that there were no regular reviews of user access rights nor of the activities performed by users in the intranet pages where the merchant and product whitelists were maintained. In that regard, AGO noted that all of STB's 655 staff were given read and write access to the product whitelist even though not all job roles required such access (e.g. Human Resource). As a result, there was inadequate assurance that access was given on a needs basis. The lack of review also increased the risk of STB not detecting unauthorised access and activities in a timely manner.

130. STB acknowledged that IT access controls over merchant and product whitelists could be improved. STB informed AGO that for future grant schemes which entail the use of its intranet pages or other similar collaborative platforms, STB would conduct monthly reviews of access rights and regular reviews of activity logs on changes made.

Weaknesses in IT General Controls

131. STB used the Singapore Tourism Analytical Network (STAN) Database (DB) housed in 2 servers to store the SRV redemption data. The data would be reconciled with the transaction data received from the ABPs to ensure the completeness, accuracy and validity of the redemptions prior to making payments to the ABPs. STB had engaged separate IT vendors to support the STAN system, including administration of the STAN DB and servers supporting the STAN DB.

132. AGO's audit of the IT general controls relating to the STAN system and DB found weaknesses, such as the sharing of privileged account by several users, excessive privileged rights granted, no periodic review of the access rights granted and no evidence of review or ineffective review of privileged activities. Those control weaknesses increased the risk of excessive rights being granted and unauthorised privileged activities (e.g. deleting or modifying SRV data) performed not being detected. Details are in the following paragraphs.

A. *Sharing of Most Privileged DB Account*

133. AGO found that the most privileged DB account¹³ was shared by 5 DB administrators, all of whom were IT vendor personnel. The single shared account would mean that each DB activity performed (e.g. deleting or modifying SRV data and tables) would not be traceable to the individual administrator who performed it. That was also not in compliance with STB's SOP which disallowed the sharing of system administrator account passwords.

¹³ The most privileged DB account has full access rights to change DB configurations, DB user access rights and data residing in the STAN DB.

134. AGO further noted that the 5 DB administrators performed different functions (e.g. system administration, data administration, user administration and troubleshooting), and would therefore not require the full privileges of the most privileged DB account for their respective job roles. AGO’s review of the activity logs further found that the privileged account was accessed numerous times by users who were not DB administrators and did not require such access for their job roles. There was therefore inadequate assurance that access rights were granted on a needs basis and that DB activities were restricted to DB administrators only. That was also not in compliance with the Government Instruction Manual on ICT and Smart Systems Management which required agencies to manage accounts and access rights based on the principle of least privileges, and to restrict the use of privileged accounts.

B. Weak Controls over Most Privileged Operating System User Account and Access Privileges

135. AGO’s test checks found misconfigurations in a security software¹⁴ that allowed 8 operating system (OS) accounts used by 2 OS administrators, who were IT vendor personnel, to execute all commands using the most privileged OS user account¹⁵. Such full access privileges were not required by the OS administrators to perform their daily duties. The configurations of the security software were also not in compliance with a GovTech advisory dated 1 June 2020.

136. AGO noted that STB did not review the configurations in the security software from the initial system setup in 2017 nor perform any risk assessment before granting access to the OS administrators to execute all commands using the most privileged OS account. That increased the risk of unauthorised activities being performed (e.g. configuration file modification, changes to audit logs and OS security settings, server or database shut down and database deletion).

¹⁴ Refers to the OS Security Software which allows users to assume the privileges of any user account, without having full access to the account, to execute certain commands.

¹⁵ The most privileged OS user account had full access privileges to make changes to the OS audit logs, OS user access and OS security settings, i.e. “root” privileges.

C. No Review of OS and DB Accounts and Access Rights

137. AGO's test checks of STB's monthly reviews of the accounts found that the access rights granted to the 2 OS administrators' accounts and all DB accounts (including 1 DB administrator account) were not included in the reviews. AGO further noted that another 104 OS accounts, comprising default accounts created during initial setup of the system and accounts not granted administrative rights, were not included in the monthly reviews. As a result, there was an increased risk that excessive access rights, especially administrator privileges, were not detected and removed promptly.

D. Weak Controls over Review of Privileged OS and DB Activities

138. According to STB, monthly reviews of privileged OS activities were performed by STB's Project Manager. However, AGO noted that there was no documentary evidence of the monthly reviews/follow-ups performed for the period December 2020 to August 2021. As a result, there was inadequate assurance that the privileged OS activities were reviewed for all security-related events to identify and follow up on potential security violations or breaches.

139. In addition, AGO's test checks of the quarterly reviews of the privileged DB activities performed by STB from December 2020 to January 2022 found that the reviews were ineffective as they did not cover activities pertaining to system administration (e.g. audit log configuration changes) and data changes (e.g. modification or deletion of SRV data)¹⁶. That increased the risk of unauthorised system administration and data change activities not being detected.

140. STB informed AGO that:

- a. For the most privileged DB account, it had since instructed the IT vendor managing STAN DB to restrict access to that account strictly. STB would create individual DB accounts assigned with the system privileges required for each DB administrator to perform his duties. It would commence the review of the privileged DB accounts access rights and activities after the creation of individual DB accounts.

¹⁶ The reviews only covered privileged activities relating to user administration (e.g. create/modify/remove users and granting of access rights).

- b. For the most privileged OS user account, STB had since restricted the commands that could be executed by the IT vendors to perform their jobs.
- c. Since January 2022, STB had started documenting reviews of the privileged OS activities and follow-up actions taken.
- d. Since January 2023, monthly review of OS privileged accounts access rights had been put in place, and the reviews were documented in STB's central document management system with proper sign-off by authorised STB personnel.

PART IV

AUDIT OF GOVERNMENT-OWNED COMPANIES AND OTHER ACCOUNTS

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

Government-owned Companies

1. The Auditor-General has issued unmodified audit opinions on the financial year 2022/23 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 2022/23; and
- b. ASEAN Cultural Fund (Singapore) for the financial year 2022.

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

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

Acknowledgements

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

ANNEXES

ANNEX I : AGO'S AUDIT AUTHORITY

Audit of Government Ministries, Organs of State and Government Funds

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

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

3. Under section 3(1) of the Audit Act 1966¹, the Auditor-General must carry out an audit and report on the accounts of all departments and offices of the Government (including the office of the Public Service Commission), the Supreme Court, all subordinate courts and Parliament. The Auditor-General must perform such other duties and exercise such other powers in relation to the accounts of the Government and the accounts of other public authorities and other bodies administering public funds as may be prescribed by or under any written law as provided for under section 3(4) of the Audit Act 1966².

4. The Auditor-General is authorised under section 8(7) of the Audit Act 1966³ to make recommendations and generally comment on all matters relating to public accounts, public moneys and public stores.

¹ Similar to Article 148F(3) of the Constitution.

² Similar to Article 148F(4) of the Constitution.

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

Financial Statements Audit

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

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

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

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

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

8. Specifically, an audit under section 5(1)(c) of the Audit Act 1966 would require checks to ensure compliance with, inter alia, provisions of the Financial Procedure Act 1966 including the Financial Regulations. In assessing compliance with the Financial Regulations, AGO would check whether Government ministries and organs of state have in place precautions against, inter alia, negligence⁵ and measures to detect apparent extravagance⁶. In other words, AGO would also check whether there has been excess, extravagance or gross inefficiency leading to waste.

Audit of Statutory Boards

Financial Statements Audit

9. Under section 4(1)(a) of the Audit Act 1966, the Auditor-General must audit the accounts of any public authority⁷ if it is so provided for by any written law.

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

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

⁵ Regulation 3(e) of the Financial Regulations.

⁶ Regulation 3(f) of the Financial Regulations.

⁷ The definition of “public authority” includes statutory boards.

Selective Audit

11. For statutory boards whose financial statements are audited by commercial auditors, AGO carries out selective audits in rotation. The authority for selective audits of statutory boards is provided for under Finance Circular Minute No. M3/2011, read with section 4(4) of the Audit Act 1966⁸.

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

Thematic Audit

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

Other Audits

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

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

Powers of Auditor-General

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

ANNEX II : CRITERIA FOR APPOINTMENT OF AUDITORS

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

2. When the Auditor-General is not the auditor and he is consulted on the appointment of an auditor, he will give his advice based on the 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 been suspended or restricted from practice, refused renewal of registration or de-registered, during the last 5 years, under section 38, 52 or 53 of the Accountants Act 2004;
- (3) The proposed accounting entity and the directors/partners involved in the proposed audit engagement have not been inflicted with a penalty, fine or censure, during the last 3 years, under section 52 or 53 of the Accountants Act 2004;
- (4) The proposed accounting entity and the directors/partners involved in the proposed audit engagement have not, in the past 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 has been the auditor of the public agency for fewer than 7 cumulative years, or has observed a cooling-off period of at least 5¹ consecutive years since or during the period covering its last 7 appointments; and
- (6) The proposed audit engagement partner has been the partner in charge of the public agency's audit for fewer than 7 cumulative years, or has observed a cooling-off period of at least 5¹ consecutive years since or during the period covering his last 7 appointments as the engagement partner.

Application Notes:

- (a) "Accounting entity" means an accounting corporation, an accounting firm or an accounting limited liability partnership.
- (b) "Directors/partners involved in the proposed audit engagement" refer to directors/partners who would be in the engagement team for the proposed financial statements audit or could influence the outcome of the proposed financial statements audit. For example, audit engagement partner, engagement quality control review partner, concurring partner and member of the technical panel for the proposed financial statements audit.
- (c) Where, on the same matter, the proposed accounting entity or the director/partner involved in the proposed audit engagement is issued with an order under the Accountants Act 2004 [criterion (2) or (3)] and also found by a Court to have been professionally negligent or to have failed to exercise due care in an audit [criterion (4)], the debarment period will take effect from the date of the order issued under the Act or the date of the Court verdict, whichever is earlier.

¹ The cooling-off period has been increased from 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 for Public Accountants and Accounting Entities” spelled out in the Accountants (Public Accountants) Rules.

3. Criteria (1) to (4) give the assurance that the accounting entity and its directors/partners involved in the audit engagement are suitably qualified and have a clean record for a sustained period, with regard to orders issued by the Public Accountants Oversight Committee² or adverse judgment by a Court. Criteria (5) and (6) provide for rotation of the accounting entity and audit engagement partner. Application note (c) ensures that there will be no double penalty for the same case of professional misconduct. Application note (d) gives the assurance that the previous audit engagement partner would not be able to influence the outcome of the public agency’s financial statements audit during his cooling-off period.

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

² Under the Accountants Act 2004, the Public Accountants Oversight Committee assists the Accounting and Corporate Regulatory Authority in the control and regulation of professional conduct of public accountants, accounting corporations, accounting firms and accounting limited liability partnerships (LLPs). In doing so, the Committee shall inquire into any complaint against any public accountant, accounting corporation, accounting firm or accounting LLP and, if necessary, institute disciplinary actions. The Committee also administers the practice monitoring programme which is designed to ascertain whether a public accountant has complied with the professional standards when providing public accountancy services.

