

TWELFTH PARLIAMENT OF SINGAPORE

First Session

SECOND REPORT OF THE PUBLIC ACCOUNTS COMMITTEE

Parl. 2 of 2013

Presented to Parliament on

11 April 2013

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PUBLIC ACCOUNTS COMMITTEE

Members

Mr Cedric Foo (*Chairman*)

Mr Ang Hin Kee

Mr Christopher de Souza

Ms Foo Mee Har

Mr Desmond Lee Ti-Seng

Ms Jessica Tan

Dr Teo Ho Pin

Mr Zaqy Mohamad

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SECOND REPORT OF THE PUBLIC ACCOUNTS COMMITTEE

Committee's Queries and Ministries' Responses in relation to Audit Observations in Auditor-General's Report for FY2011/12

1 The Committee considered the *Report of the Auditor-General for the Financial Year 2011/12* (Paper Cmd. 7 of 2012). The Committee's enquiries into specific observations are discussed in paragraphs 2 to 42.

Lapses in Procurement and Project Management in Various Ministries

2 The Committee noted that, like the reports of the Auditor-General for the previous five years, many audit observations in the latest report (for FY 2011/12) were in the area of procurement and project management. These lapses reported by the Auditor-General's Office (AGO) relate to 11 ministries (including some pertaining to the statutory boards under their charge). The lapses include:

- (i) Weak grounds for waiving competition;
- (ii) Inadequate oversight of external project managers;
- (iii) Splitting of purchases to avoid calling of quotations or tenders;
- (iv) Not obtaining prior approvals; and
- (v) Allowing price alterations by certain bidders after close of quotations or tenders.

3 The Committee was concerned with the many breaches of Government procurement rules and principles of open and fair competition, transparency and value for money. This could indicate a lack of competency and knowledge in procurement and project management, and in a couple of instances, a disregard for the rules and principles by certain public officers.

4 The Committee sought written explanations from the following Ministries on the procurement and project management lapses:

- (i) Ministry of Culture, Community and Youth (MCCY)¹
- (ii) Ministry of Education (MOE)
- (iii) Ministry of Health (MOH)
- (iv) Ministry of Home Affairs (MHA)

¹ The Ministry of Culture, Community and Youth (MCCY) is a new ministry formed on 1 November 2012. The procurement lapses, reported by the Auditor-General in the FY2011/12 Report relate to the Singapore Sports Council (SSC), which was under the purview of the then Ministry of Community, Youth and Sports. With effect from 1 November 2012, SSC comes under the purview of MCCY.

- (v) Ministry of National Development (MND)
- (vi) Ministry of the Environment and Water Resources (MEWR)

5 The Committee also followed up with MHA on its actions taken in response to the lapses reported in the *Report of the Auditor-General for the Financial Year 2010/11*. The Committee noted the explanations of the ministries. Details are in Appendix I, except for MHA's explanations which are elaborated below.

MHA's actions in response to lapses reported in the Report of the Auditor-General for FY 2010/11

6 In FY2010/11, the Auditor-General observed irregularities at every stage of the management of two projects undertaken by the Police Coast Guard; these resulted in the Singapore Police Force (SPF) being grossly overcharged. As reported in the last Report of the Committee (Parl. 2 of 2012), the actions taken by MHA to address the lapses include forming a task force to undertake a comprehensive review of the financial and procurement functions across the Ministry. The Committee had requested for an update from MHA.

7 In this regard, MHA updated the Committee that the Ministry's Procurement Task Force had completed its review in August 2012. The Task Force's recommendations, which were to be implemented by 1 April 2013, included:

- (i) Centralising management of the Ministry's development budget to allow the Ministry HQ to have oversight of all development projects;
- (ii) Setting up a Project Management Team to ensure robust project management;
- (iii) Setting up a central procurement entity in Ministry HQ which would be the staff authority and subject matter expert on all procurement matters;
- (iv) Forming specialist groups to build up technical specialist knowledge in project planning and implementation; and
- (v) Reviewing the career progression framework of specialists to retain institutional knowledge and to develop career tracks for them.

8 With regard to the central procurement entity [mentioned in paragraph 7(iii)], MHA further informed the Committee that the entity would be carrying out all procurement exceeding \$70,000 (i.e. all tenders) for the Home Team Departments (HTDs). The central entity would also subsequently work with the user departments on the management of the contract, including monitoring contract performance and handling contract variations.

MHA's lapses reported in the Report of the Auditor-General for FY 2011/12

9 The Committee noted that in FY2011/12, AGO extended its checks on purchases made off the Additions and Alterations (A&A) term contracts to those made by other HTDs in FY2011/12 and earlier. These HTDs were the Immigration and Checkpoints Authority (ICA), Singapore Police Force (two of its Police Divisions), and the Singapore Prison Service (SPS). AGO found similar lapses in the procurement carried out by these HTDs. AGO also carried out test checks of purchases made by the Police Logistics Base (PLB). The lapses found included:

- (i) Inappropriate use of term contract [ICA, SPS];
- (ii) Weaknesses / questionable practices in calling of quotations by term contractor [ICA, SPS];
- (iii) Paying more for works [ICA (\$107,000), two Police Divisions (\$73,000), SPS (\$36,000)];
- (iv) Department could have been overcharged [SPS];
- (v) Lapses in project management [ICA, two Police Divisions, SPS];
- (vi) No compelling reasons for waiver of competition [PLB];
- (vii) Splitting of purchases to avoid having to call open quotations [PLB];
- (viii) Accepting bids which did not meet key requirements specified in the quotation [PLB];
- (ix) Payments for goods delivered that did not meet specifications [PLB]; and
- (x) Quotations from a term contractor possibly falsified [SPS].

10 As regards the irregularities in procurement and project management found in ICA, SPF and SPS [mentioned in paragraph 9], MHA explained that the main causes of the irregularities were:

- (i) Lack of specialist procurement knowledge and skills;
- (ii) Over reliance of project officers and certifying officers on the external project managers;
- (iii) Lack of clarity on the use of term contracts;
- (iv) Failure of the project management company in discharging its responsibilities under the contract; and
- (v) Lack of experienced and competent staff in the team assigned by the project management company to support MHA.

11 With regard to the splitting of purchases found in PLB, MHA informed the Committee that the SPF had since introduced improvements in PLB, which included the following:

- (i) Putting in place a process to consolidate all user departments' requirements at the start of each financial year to improve procurement planning;
- (ii) Putting in place a Contract Review Process to track all contract renewals six months before their expiry and consider any new user requirement;
- (iii) Enhancing its Asset Inventory System to better monitor stocks and forecast stock requirements;
- (iv) Strengthening supervisory checks over purchases to prevent splitting of purchases; and
- (v) Leveraging on period contracts to meet its procurement needs for common supplies and would be beefing up its training for project officers.

12 In addition, internal investigations of officers involved in the lapses were being carried out and disciplinary actions would be taken against them, where appropriate.

13 MHA informed the Committee that, in addition to the recommendations of MHA Procurement Task Force [mentioned in paragraph 7], it had taken the following steps to address the lapses:

- (i) Issued circulars to HTDs to reiterate and remind them on the proper use of Facility Management Demand Aggregated Term Contracts and the importance of supervising external project managers;
- (ii) Worked on levelling up the competency level of procurement officers by:
 - (a) Forming a Procurement Community of Practice to share case studies and common procurement pitfalls to avoid;
 - (b) Developing a competencies and training framework for procurement officers; and
 - (c) Developing a Procurement Manual.
- (iii) Reminded the Heads of HTDs of their ownership and accountability with regard to the projects managed by external project managers; and
- (iv) Leveraged on business analytic tools to aid in the detection of possible human lapses or fraud.

14 In relation to the findings on MHA's projects managed by external project managers, MHA informed the Committee that it had since tightened its control over the project management company and stepped up its monitoring of the company's performance. MHA had also issued stern warning letters to the project management company and met up with its senior management to register MHA's grave concern over

the company's performance. The project management company had taken measures to address the shortcomings such as appointing a Chartered Surveyor to lead the team, conducting training, providing guidance and coaching, reviewing staff remuneration and career progression and stepping up internal audits.

15 The Committee noted that MHA was conducting a review of its overall requirements across all its departments for the provision of project management and facility management services and would examine how best to structure a new contract for the provision of such services.

16 In response to the Committee's query on the recovery of overpayments and amounts that the HTDs were overcharged, MHA informed the Committee that to date, it had recovered most of the overpayments and amounts overcharged from the term contractors and related project management fees from the project management company.

17 The Committee noted the actions taken by MHA with regard to the lapses reported in the last two reports of the Auditor-General.

18 The Committee was of the view that project management companies which commit severe and numerous lapses, where proven, must be held accountable. The Committee felt that stronger actions including penalties, calling of performance bond and debarment should be considered.

19 In response to the Committee's query, the Ministry of Finance (MOF) informed the Committee that companies proven to have committed lapses do face penalties which could include debarment. MOF was also studying the feasibility of establishing an internal channel to inform agencies of ongoing investigations involving companies with Government contracts.

Improving Procurement Practices in Public Sector

20 In August 2012, MOF, which is centrally responsible for Government procurement policies and rules, informed the Committee of the approach it was taking to strengthen Government procurement. The key measures under MOF's four-pronged approach were:

- (i) Strengthening rules and guidelines
 - Conduct regular reviews of rules, procedures and guidelines, balancing the need for safeguards with operational efficiency
- (ii) Improving public sector procurement competencies
 - Introduce mandatory training for procurement officers under the Procurement Competency & Training Framework
 - Raise awareness of procurement principles among end users and senior management
 - Create platforms for sharing knowledge

(iii) Emphasising accountability and responsibility

- Raise awareness among the senior management of public agencies of their responsibilities with regard to public spending and procurement
- Discuss procurement lapses at Committee of Permanent Secretaries meetings and Directors of Finance meetings

(iv) Clustering procurement and retaining expertise

- Centralise procurement processes and/or expertise within ministry and department clusters, where appropriate
- Work with the Public Service Division to develop a Procurement Specialist Track
- Share procurement expertise within Ministry clusters and across the public sector

21 The Committee noted that MOF had, in response to the Committee's 2012 recommendation (Parl. 2 of 2012), agreed to the development of a procurement specialist career [mentioned in paragraph 20(iv)]. In this regard, MOF informed the Committee that the intent of the Specialist Track was to build a strong professional corps of public sector procurement practitioners by developing competencies, as well as attracting and retaining capable officers. This would help to transform the public sector into a 'Smart Buyer', able to navigate complexities and optimise value through procurement. MOF and PSD would be working towards launching the Procurement Specialist Track in 2014.

22 The Committee also sought the views of MOF on six areas relating to public sector procurement and project management practices, in relation to the lapses reported by the Auditor-General in his FY 2011/12 report. These are detailed in the following paragraphs.

(i) Improving project management in public sector

23 With regard to the lapses in project management, the Committee enquired whether MOF had plans to centrally help public sector agencies overseeing large procurement projects to effectively supervise the external project managers they engaged. MOF said that it had already set up the Centre for Public Project Management (CP2M) in January 2011 to build up the public sector's project management capabilities. MOF also informed the Committee that CP2M had expanded its role from that of providing only project advisory services to also providing project management services to public sector agencies, as well as helping them supervise their external project managers.

(ii) Preventing inappropriate use of term contracts

24 The Committee noted that a number of Home Team Departments under the MHA had been overcharged or were possibly overcharged for projects primarily as a result of inappropriate use of term contracts. In response to the Committee's enquiries, MOF informed the Committee that it had reminded Government agencies that term contracts should only be used to deliver goods or services within the scope of the contract, and that operational urgency was not a valid reason for utilising an existing term contract incorrectly. These reminders and learning points had been captured in the Procurement Portal on the Government Intranet.

(iii) Procuring "star rate" items at fair market prices

25 With regard to the lapses found in ICA and SPS, the Committee noted that there might have been conflict of interests in the procurement of "star rate" items (i.e. items not listed in the term contracts' Schedule of Rates). In these cases, the term contractor who called and received quotes was also allowed to either submit quotes or obtain quotes from its related companies. In this regard, the Committee was concerned that "star rate" items might not have been procured at fair market prices established through a competitive process.

26 The Committee asked MOF to describe the measures that it had put in place or would be putting in place to address the issue of potential conflict of interests and also to ensure that "star rate" items would be procured at fair market prices.

27 MOF informed the Committee that it had advised agencies to call open tenders or quotations for additional works wherever feasible so as to avoid potential conflict of interests and to maximise value-for-money. However, it might not be practical to call open tenders or quotations in some instances, for example, when there is an expansion in the scope of works to be carried out by the term contractor and appointing another contractor could pose operational challenges in coordination and economies of scale might not be realised. In such instances, "star rates" might have to be used.

28 To address the issue on the use of "star rates", MOF had formed a multi-agency task force in August 2012 to draw up practical guidelines for all government agencies on the structuring and use of "star rate" items in Government contracts. This was to ensure a consistent approach and help agencies assess how much to pay for "star rate" items. MOF issued a circular in October 2012 on these guidelines.

29 MOF also informed the Committee that it would provide further guidance to Approving Officers to help them assess the reasonableness of "star rates" given the complex nature of facilities management contracts where "star rate" items were typically used. MOF had advised agencies not to rely solely on external consultants or facilities managers to ascertain if "star rates" were reasonable. MOF would be looking at establishing a repository of rates which government agencies could use to make appropriate comparisons when assessing "star rates".

(iv) Curbing splitting of purchases

30 The Committee noted that the splitting of purchases by agencies would have the effect of bypassing Government procurement rules which apply to higher value purchases (e.g. requiring calling of open quotations/tenders and higher authority for approval of awards). In response to the Committee's enquiries, the relevant ministries explained that the split purchases could be attributed to operational exigencies or the officers' lack of understanding of the rules.

31 The Committee asked MOF for its views on how to stop this practice and what actions could and should be taken against officers responsible for splitting purchases. MOF informed the Committee that such lapses could be reduced through detection and enforcement measures, including taking disciplinary action where appropriate. In this regard, MOF had:

- (i) Developed a checklist for approving authorities that highlights, among other things, the need for them to check that purchases had not been unnecessarily split;
- (ii) Launched a business intelligence tool that allows agencies to generate standard procurement reports that could identify non-compliance with procurement rules, including split purchases; and
- (iii) Emphasised to agencies the importance of internal and external audits in detecting non-compliance with rules.

32 MOF also informed the Committee that disciplinary actions would be taken against officers who wilfully break procurement rules.

(v) Adequacy of punitive measures and tone at the top

33 The Committee sought MOF's view on the adequacy of punitive measures by ministries and statutory boards and the tone at the top. In its response, MOF said that the Public Service Commission was vested with the authority to exercise disciplinary control over civil servants while statutory boards had their own internal disciplinary framework and processes. On "tone at the top", MOF had issued two circulars to Permanent Secretaries in August 2012 to send a strong message to all public sector agencies on the importance of adherence to procurement rules and the accountability of senior officers.

(vi) Enhancing preventive measures

34 The Committee also enquired into preventive measures. It asked whether MOF would require key officers to declare and acknowledge their responsibilities in the procurement process, and pass relevant competency tests at the start of each financial year. MOF informed the Committee that there was already an e-learning module and test on Government procurement principles and rules that procurement officers were required to undergo.

35 MOF also informed the Committee that it was developing an online test on the understanding of procurement principles and values, which could be taken yearly by key officers involved in the procurement process, including approving authorities. Officers vested with approving authority would also be informed of their responsibilities upon appointment of their role. MOF updated that it would study the implications of reminding officers of their responsibilities annually.

36 The Committee also noted that MOF was working with the Civil Service College to develop training/discussion materials on procurement principles and values. The materials would be incorporated into career development and milestone programmes attended by different levels of public officers, so as to raise awareness of procurement principles throughout the public sector.

37 The Committee noted MOF's views and the measures taken to improve public sector procurement practices.

Preventing Duplicate Payments

38 The Committee noted that the Auditor-General, in his FY 2011/12 report, reported 12 cases of duplicate payments processed by Vital (a department of MOF providing centralised payment and payroll processing services to Ministries and Organs of State). The duplicate payments amounted to \$18,634,209 (including one payment of \$18,631,071) and were detected after the payments had been made; four were detected by agencies or Vital, three by vendors and five by AGO.

39 According to MOF, 10 of the 12 cases of duplicate payments could have been prevented with enhancements to the system. The Committee noted that the central accounting system had since been enhanced to strengthen the system of alerts whenever a duplicate certified payment request was sent to Vital for processing. Enhancements had also been made to the monthly exception reports generated by the system from November 2012 onwards to flag out possible duplicate payments for agencies' investigation.

40 As regards the remaining two cases, MOF said that Vital had investigated upon receiving the system prompt but was informed by the agency concerned to proceed to make the payments. MOF added that while it could put in controls in the procure-to-pay processes, it was still the responsibility of each agency to ensure that a payment was valid before certifying it.

41 To the Committee's query on the key controls in the Government's procure-to-pay processes to ensure that all payments were valid, accurate and authorised, MOF replied that the controls included:

- (i) Checking of budget availability through the central accounting system prior to the issuance of purchase orders to suppliers;
- (ii) Ensuring a three-way match between purchase order, goods receipt and invoice;

- (iii) Segregating the duties between payment officer and approving officer;
and
- (iv) Requiring certification of invoices by appointed officers who were to ensure that all payments were valid, accurate and authorised.

42 The Committee noted the controls in place and actions taken by MOF.

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MINISTRIES' RESPONSES TO COMMITTEE'S QUERIES ON PROCUREMENT AND PROJECT MANAGEMENT LAPSES

Ministry of Culture, Community and Youth (MCCY)²

Audit Observations

The following irregularities were found in procurement carried out by the Singapore Sports Council (SSC):

- (i) Weak grounds for waiving competition;
- (ii) Not obtaining prior approvals;
- (iii) Acceptance of tenders not meeting mandatory requirements;
- (iv) Incomplete and incorrect information provided to approving authorities;
- (v) Splitting of purchases; and
- (vi) Lapses in allowing price revision and in evaluation of bids.

Ministry's Response to the Committee's Enquiries

MCCY explained that the main reason for the procurement irregularities was the officers' lack of familiarity with procurement regulations and processes. Previously, SSC's procurement operations were decentralised and officers were not handling procurement functions on full-time basis. MCCY also acknowledged that tighter supervision of procurement processes could have prevented some of the irregularities. With regard to the audit observation on split purchases, MCCY informed the Committee that this arose due to a lack of central coordination for procurement of related items, as SSC had organised its facilities management team by zones. There was no deliberate attempt to split the purchases for the purpose of bypassing approval limits.

MCCY informed the Committee that SSC had taken the following measures to address the irregularities:

- (i) Implemented a centralised procurement function to effect central control and monitoring of procurement activities;
- (ii) Reviewed and refined procurement workflow and processes; and

² The Ministry of Culture, Community and Youth (MCCY) is a new ministry formed on 1 November 2012. The procurement lapses, reported by the Auditor-General in the FY2011/12 Report relate to the Singapore Sports Council (SSC), which was under the purview of the then Ministry of Community, Youth and Sports. With effect from 1 November 2012, SSC comes under the purview of MCCY.

- (iii) Incorporated training plans for procurement officers to be well-versed in procurement regulations and processes.

MCCY added that SSC had investigated the irregularities and found no evidence of wilful negligence by individual staff. However, it found that some supervisors had failed in their supervisory duties to ensure compliance with procurement policies and regulations by their staff, and had taken appropriate action.

Ministry of Education (MOE)

Audit Observations

The following irregularities were found in procurement carried out by the Institute of Southeast Asian Studies (ISEAS) and the Science Centre Board (SCB):

ISEAS

- (i) Most purchases were not procured through open quotations/tenders;
- (ii) Shortlisting of suppliers was not done through a competitive process;
- (iii) Purchases were not done through GeBIZ; and
- (iv) Procuring outside established demand aggregation contracts without justification.

SCB

- (i) Weak grounds for waiving competition;
- (ii) Not obtaining prior approvals;
- (iii) Splitting of purchases; and
- (iv) Breaking a procurement rule to circumvent another in procurement for fabrication and installation works for an exhibition.

Ministry's Response to the Committee's Enquiries

ISEAS

With regard to ISEAS' procurement irregularities, MOE explained that ISEAS had conducted an internal review after receiving AGO's report and taken rectification measures. The irregularities were mainly due to a general lack of awareness and understanding of the Government procurement principles among ISEAS staff. In addition, the absence of an internal audit function also led to a lack of internal checks. ISEAS did not find any indication of wilful misconduct by its staff.

MOE informed the Committee that the measures introduced by ISEAS included:

- (i) Rectifying its procurement process by calling open quotations via GeBiz;

- (ii) Updating its internal procurement guidelines to be in line with the Government Instruction Manuals (updated guidelines would be reviewed by MOE);
- (iii) Ensuring that officers involved in procurement were sent for training;
- (iv) Setting up an internal audit function to monitor compliance on an on-going basis; and
- (v) Counselling staff involved in the procurement irregularities and advising them on how Government procurement should be conducted.

SCB

As regards the procurement irregularities found in SCB, MOE explained that SCB had likewise conducted an internal review after receiving AGO's report. The irregularities in relation to weak grounds for waiving competition and not obtaining prior approvals could be attributed to weak procurement controls. As regards split purchases, the bulk of the breaches could be attributed to a lack of understanding of the Government procurement principles. However, there was one case of split purchase that was deliberately performed to circumvent the Government procurement rules in order to achieve operational expediency. The senior officer involved had since left service and the junior support staff involved had been counselled and sent for relevant training. SCB did not find indication of wilful non-compliance in the other cases.

MOE informed the Committee that SCB had since imposed more stringent criteria for waiver of competition cases and tightened its tender evaluation processes. Other measures introduced by SCB included:

- (i) Sending its procurement officers for relevant procurement courses and putting them in procurement roles only after they had received training; and
- (ii) Developing guidelines for procurement activities common to exhibitions and events.

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Ministry of the Environment and Water Resources (MEWR)

Audit Observations

The Committee noted the following inadequacies in the National Environment Agency (NEA)'s management of its street cleansing contracts:

- (i) Cleansing works not carried out;
- (ii) Unsatisfactory performance;
- (iii) Shortcomings in enforcement; and
- (iv) Errors in pricing and payment to contractors.

Ministry's Response to the Committee's Enquiries

MEWR informed the Committee that NEA had taken the following measures to prevent recurrence of the lapses:

- (i) Strengthened oversight of contractors' work by enhancing its audit and inspection regime;
- (ii) Formed the Department of Public Cleanliness on 1 April 2012 to spearhead improvements to enhance the effectiveness of the audit and inspection regime;
- (iii) Centralised the management of contract billing and enhanced the verification process to ensure accurate billing;
- (iv) Reviewed and improved the contract specifications through adopting a fixed and consistent system to ascertain road lengths in the contracts;
- (v) Tightened the verification process for contract payment and would introduce a revised billing model to reduce the occurrence of human error; and
- (vi) Formed a "System Review Committee for Supervision of Street Cleaning Contracts" and an "Internal Audit Committee for Cleaning Contracts" to review and propose improvements to existing and new contracts and how they were managed.

As regards errors in payment to contractors, MEWR said that it had recovered \$6,776 and was in the process of rectifying underpayments (total value \$184,450) and recovering overpayments (total value \$10,608), except for cases due to incorrect road lengths. For these cases, the contract specified that payment was to be computed based on the road length specified in the contract, thus there was no contractual right to adopt different measurements.

MEWR added that NEA would adopt the road lengths measured in the Geographical Information System (GIS) for its street cleaning contracts henceforth. NEA would also conduct an extensive exercise to verify road asset details and amend the cleaning contracts to align the road lengths to the GIS data.

MEWR informed the Committee that NEA had conducted a review of its officers' work. NEA had found that most of its officers had carried out their routine inspections diligently although they were not always able to audit 20% of the scheduled daily cleaning activities on a daily basis as stipulated in the Standard Operating Procedures.

However, its checks also revealed that one officer had falsified his inspection records while another officer had failed to keep proper records of his inspection activities. NEA also found that some officers had not exercised due diligence when making payments to contractors. In this regard, MEWR informed the Committee that NEA would take disciplinary actions against these officers.

Ministry of Health (MOH)

Audit Observation

For the contract for foundation works and basement construction of the Khoo Teck Puat Hospital, MOH was found to have overpaid the contractor by an estimated \$0.83 million out of a total payment of \$4.90 million in adjustments for fluctuations in the price of steel reinforcement.

Ministry's Response to the Committee's Enquiries

MOH informed the Committee that it had called a tender for audit services to determine the amount of overpayment to be recovered and was targeting to recover the overpayment by June 2013.

Ministry of National Development (MND)

Audit Observations

In the National Parks Board (NParks)' procurement for parks development projects, the Committee noted that several lapses were found, including the following:

- (i) Nine tenders were approved by the wrong approving authority;
- (ii) In one project, 14 variation works were carried out and paid for without the required approval for execution; and
- (iii) A contractor was granted several extensions of time to complete a project for reasons outside those provided for under the contract when liquidated damages should have been imposed.

There were also instances where purchases were split to avoid complying with Government procurement rules applicable to higher value purchases.

Ministry's Response to the Committee's Enquiries

MND explained that the instances of split purchases were due to operational reasons. These reasons included situations where the requests came from different departments or for different events/functions even though they were transacted with the same vendor. Notwithstanding these reasons, MND acknowledged that there should have been better coordination and wherever practicable, purchases should be aggregated through better planning so as to achieve the benefit of economies of scale.

With regard to the project where time extensions was granted to the contractor, MND informed the Committee that the extensions were granted by an NParks staff under the mistaken impression that he had the authority to do so. However the terms of contract did not provide for recourse to claim the liquidated damages from the contractor since the time extension was approved by NParks.

MND informed the Committee that NParks had since:

- (i) Instituted a practice of aggregating the purchase of common goods and services through the use of term contracts;
- (ii) Set up a Procurement Branch to conduct central compliance checks and present its results to the management on a monthly basis;
- (iii) Tasked the Procurement Branch to regularly review procurement patterns and look into ways to better aggregate common purchases;
- (iv) Implemented a Training and Certification Programme to train and certify its Approving Officers and officers involved in procurement;
- (v) Implemented new internal procedures to make the granting of time extensions for contracts more stringent;
- (vi) Counselling the errant staff (for those who had committed the lapses for the first time) on their incorrect action and placed this matter on their staff record; and
- (vii) Issued a formal letter of warning to one particular errant staff who had committed a similar lapse in the past and was then counselled.

MND had also taken the following measures:

- (i) Emphasised to all statutory boards under its charge on the importance of strict compliance with the financial regulations and procedures; and
- (ii) Encouraged its statutory boards to adopt the following good practices where practicable:
 - (a) Use data analytical tools to identify high risk areas and detect possible frauds;
 - (b) Track budget utilisation of major projects to detect any delays in project implementation; and
 - (c) Carry out annual internal audits on procurement, discuss areas of improvement with the senior management and follow-up on audit findings.

MND also informed the Committee that it had been working with its statutory boards to strengthen existing processes and procedures to achieve or maintain proper oversight, and raise staff's competency level and awareness of good financial practices.

MINUTES OF PROCEEDINGS

4th Meeting

Tuesday, 9th October 2012

2.30 p.m.

PRESENT:

Mr Cedric Foo Chee Keng (*in the Chair*)
Mr Ang Hin Kee
Mr Christopher De Souza
Ms Foo Mee Har
Mr Desmond Lee Ti-Seng
Dr Teo Ho Pin

ABSENT:

Ms Jessica Tan Soon Neo
Mr Zaqy Mohamad

1. The Committee considered the Report of the Auditor-General for the Financial Year 2011/12 (Paper Cmd. 7 of 2012).
2. The Committee deliberated.
3. The Committee examined findings contained in the Auditor-General's report and agreed to write to the Ministry of Culture, Community and Youth, Ministry of Education, Ministry of Finance, Ministry of Health, Ministry of Home Affairs, Ministry of National Development and Ministry of the Environment and Water Resources to submit memoranda on matters raised.

Adjourned to a date to be fixed.

5th Meeting

Tuesday, 8th January 2013

10.00 a.m.

PRESENT:

Mr Cedric Foo Chee Keng (*in the Chair*)

Mr Ang Hin Kee

Mr Christopher De Souza

Ms Foo Mee Har

Mr Desmond Lee Ti-Seng

Dr Teo Ho Pin

Mr Zaqy Mohamad

ABSENT:

Ms Jessica Tan Soon Neo

1. The Committee considered the memoranda received from Ministry of Culture, Community and Youth, Ministry of Education, Ministry of Finance, Ministry of Health, Ministry of Home Affairs, Ministry of National Development and Ministry of the Environment and Water Resources.
2. The Committee deliberated and considered the Chairman's draft report.
3. The Committee agreed to write to the Ministry of Finance and Ministry of Home Affairs to submit further memorandum on matters raised.

National Archives of Singapore *Adjourned to a date to be fixed.*

6th Meeting

Tuesday, 2nd April 2013

10.00 a.m.

PRESENT:

Mr Cedric Foo Chee Keng (*in the Chair*)
Mr Ang Hin Kee
Mr Christopher De Souza
Ms Jessica Tan Soon Neo
Dr Teo Ho Pin
Mr Zaqy Mohamad

ABSENT:

Ms Foo Mee Har
Mr Desmond Lee Ti-Seng

1. The Committee considered the memoranda received from Ministry of Finance and Ministry of Home Affairs.
2. The Committee further deliberated.

Report

3. The Chairman's report brought up and read the first time.
4. Resolved, "That the Chairman's report be read a second time paragraph by paragraph."
5. Paragraphs 1 to 42 inclusive read and agreed to.
6. Resolved, "That this report be the report of the Committee to Parliament."
7. Agreed that the Chairman do present the Report to Parliament when copies are available for distribution to Members of Parliament.

Adjourned sine die.