

TWELFTH PARLIAMENT OF SINGAPORE

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THIRD REPORT OF THE PUBLIC ACCOUNTS COMMITTEE

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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 Gan Thiam Poh (*effective from 5 September 2013*)

Mr Desmond Lee Ti-Seng (*until 4 September 2013*)

Ms Jessica Tan

Dr Teo Ho Pin

Mr Zaqy Mohamad

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1 The Committee considered the *Report of the Auditor-General for the Financial Year 2012/13* (Paper Cmd. 7 of 2013). The Committee's enquiries into specific observations are discussed in paragraphs 2 to 108.

Procurement Irregularities

2 The Committee noted that procurement continued to be an area prone to lapses. In the latest *Report of the Auditor-General for the Financial Year 2012/13*, 12 out of the 35 observations reported pertained to laxity in the area of procurement. The lapses included the following:

- (i) Waiving competition on weak grounds;
- (ii) Allowing bid alterations by certain bidders after tender had closed;
- (iii) Not disclosing evaluation criteria upfront in tender documents;
- (iv) Not evaluating tenders properly; and
- (v) Obtaining approvals retrospectively.

3 The Committee was concerned that even with efforts over the last few years to enhance procurement rules and procedures across the public sector, there were indications that some public sector entities were not sufficiently diligent in ensuring compliance with procurement rules.

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

- (i) Ministry of Culture, Community and Youth (MCCY);
- (ii) Ministry of Education (MOE);
- (iii) Ministry of the Environment and Water Resources (MEWR);
- (iv) Ministry of Foreign Affairs (MFA);
- (v) Ministry of Home Affairs (MHA); and
- (vi) National Research Foundation (NRF) of Prime Minister's Office (PMO).

MCCY - Irregularities in Procurement

5 The Committee expressed concern over the procurement lapses in the Majlis Ugama Islam Singapura (MUIS), such as lapses in tender evaluation for construction works (for four tenders totalling \$17.38 million where seven of the eight evaluation

criteria were not made known to potential tenderers) and incorrect information was given to the quotation approving authority (for five quotations totalling \$0.14 million). It requested MCCY to provide details on measures which MUIS had taken or would be taking to prevent the recurrence of such lapses.

6 MCCY informed the Committee that it took a serious view of the lapses reported. As directed by MCCY, MUIS had since taken the following measures to address the irregularities:

- (i) Appointed an independent panel to ascertain if there was any wrongdoing;
- (ii) Formed an internal review team to address the gaps in the system and supervise the implementation of the remedial actions;
- (iii) Ensured that all staff were provided with training on public sector procurement regulations and processes; and
- (iv) Established a procurement function to build specialisation and familiarity with public sector procurement regulations and processes.

7 According to MCCY, the independent panel concluded that there was no evidence of staff wrongdoing or wilful neglect and the lapses in compliance resulted from a lack of staff competence and weak procurement environment. Therefore, no disciplinary action would be taken.

8 MCCY informed the Committee that it would continue to monitor the remedial plans of MUIS closely and ensure that MUIS follow through with the plans in a timely manner.

MOE- Lapses in Tender Process for Supply and Management of Management Support Officers

9 The Committee was concerned that the evaluation of the tender by the Republic Polytechnic (RP) for supply and management of management support officers (contract value of \$9.42 million) was not carried out in a fair and objective manner. For example, the tender evaluation committee had justified that the awarded tenderer's prices were "fairly reasonable" although its price for the major cost component was three times that of the other shortlisted tenderer. The awarded tenderer's total price was also higher than the other shortlisted tenderer. The Committee asked MOE for an explanation on the award of the tender.

10 MOE acknowledged that RP had not evaluated the pricings of the tenderers comprehensively and holistically. MOE also informed the Committee that RP had failed to document a key deciding factor in the award of the tender, that is, the other shortlisted tenderer could not meet a specific tender requirement.

11 MOE acknowledged that RP could have exercised greater diligence and care in ensuring that the evaluations were properly documented and that the tender approving authority had not critically questioned the basis of the recommendation.

MEWR- Irregularities in Small Value Purchases

12 The Committee noted 46 instances of small value purchases (totalling \$112,400) made by the Public Utilities Board (PUB) which appeared to have been split from 13 higher value purchases to avoid calling open quotations. Other irregularities, such as not seeking prior approval for the need for the purchases, were observed in 11 of the split purchases. The Committee was concerned that procurement was not conducted in a proper manner and controls had been circumvented, which would expose the system to fraud and abuse.

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

- (i) Tightened controls on the use of small value purchases;
- (ii) Instituted quarterly reviews and aggregated similar purchases into term contracts to reduce the need for small value purchases;
- (iii) Implemented an online procurement workflow system with built-in checks to ensure segregation of duties and correct approving authorities in the procurement chain for small value purchases;
- (iv) Conducted regular training on procurement; and
- (v) Carried out regular data analytics on procurement and payment transactions.

14 PUB had issued letters of warning to officers for making split purchases and would take disciplinary actions against officers who repeatedly fail to comply with procurement procedures.

MFA - Lapses in Procurement of Security and Gardening Services at an Overseas Mission

15 The Committee noted that an overseas mission had not complied with procurement rules and guidelines in its procurement of security services (contract value of \$427,886 for two years) and gardening services (totalling \$172,982 for four years). The Committee found MFA's explanation, that the lapses for procurement of security services were due to the mission working within a tight window period, to be unacceptable.

16 The Committee asked MFA for:

- (i) The reasons tender was not called for the procurement of security services and competitive bids were not obtained for the procurement of gardening services;
- (ii) The reasons incomplete and incorrect information was provided to the approving authority for the procurement of security services; and

- (iii) The measures that MFA would be taking to prevent procurement lapses in the Ministry and all its missions.

17 MFA informed the Committee that it took the audit findings seriously and had appointed an investigation team to look into the findings. Tender was not called for the procurement of security services because the officer was new to overseas posting work and was unfamiliar with the tender process. As for the lapse of providing incomplete and incorrect information to the approving authority, MFA explained that this was due to the officer's oversight and lack of understanding of the tender procedure.

18 With regard to the procurement of gardening services, the Report of the Auditor-General noted that the mission had engaged the services of a gardener on a yearly basis from April 2009 to March 2013 without obtaining competitive bids. In addition, the mission allowed the gardener to include additional services and charges, and thereby increasing the monthly fees. There were also no documents which indicate a review of whether the works were required and the prices charged were reasonable.

19 MFA explained that the gardener was engaged since 2009 on a yearly auto-renewal basis, which was common and legitimate in the country of residence of the mission. The officer who took over the role of procurement in the mission in January 2011 had continued this practice. The mission had since taken action to rectify the matter by obtaining three quotations for the new contract from April 2013 to March 2014.

20 MFA informed the Committee that it had identified and implemented various measures to address the procurement issues using a three-pronged approach. First, MFA would enhance its systems and processes, which include more backend checks on the transactions carried out by missions and the development of an electronic approval workflow system for the management of procurement at the missions. Second, MFA would build up its capacity in procurement and revamp the training programme for its officers. Third, MFA would enhance the support and channel of communications with the missions which would include pre-posting meetings and involvement of the relevant branch heads in mid-term calls to better address issues raised during the sessions.

21 The Committee noted that even though some of the lapses might be attributed to the inexperience of the mission officer, the approving authority and MFA would still have to bear the overall responsibility of ensuring compliance with procurement rules. In this respect, the Committee noted that MFA was taking action to improve its oversight of missions.

MHA- Lapses in Evaluation of Tenders for Additions and Alterations Works to Fire Stations

22 The Committee noted that the Singapore Civil Defence Force (SCDF) had awarded two tenders (total contract value of \$2.75 million) to a tenderer which did not meet a critical evaluation criterion on the submission of the past 3 years' audited financial statements for assessment of creditworthiness/financial solvency. Nonetheless, both the tender evaluation committee (TEC) and SCDF's external project manager had concluded that the tenderer had met the critical evaluation criterion.

23 MHA informed the Committee that the lapses arose due to mistakes made by the staff handling the tender preparation and the TEC. SCDF's investigation had revealed that the failure to disqualify the tenderer was due to poor judgement rather than a lack of due diligence by the TEC. SCDF had since counselled the members of the TEC on the need to observe strict compliance when evaluating tenders in future. In addition, SCDF had determined that the project manager had not been negligent in discharging its contractual responsibilities.

24 MHA further explained that despite the lack of audited financial statements, the project manager had established the creditworthiness of the tenderer via other records and considerations. MHA acknowledged, however, that the project manager had failed to explicitly highlight to the TEC that the tenderer did not meet the critical evaluation criterion.

25 The Committee noted MHA's clarification but would like to emphasise that while MHA may exercise its discretion, it is important to ensure that the principles of fair competition and transparency are not compromised in its tender evaluation process. In this case, the requirement to submit past three years' audited financial statements was a critical criterion stated in the tender documents.

PMO - Irregularities in Management of Campus Development Project

26 The Committee noted with concern the many breaches of Government procurement rules and principles for the construction of the Campus for Research Excellence and Technological Enterprise undertaken by the National Research Foundation (NRF) (total contract value of \$322.97 million). These included weak grounds for waiving competition and not disclosing the scoring method used for evaluation in the tender documents. The Committee also noted that NRF did not comply with the timeframe stipulated in the Building and Construction Industry Security of Payment Act (Cap. 30B, 2006 Revised Edition) in making payments and providing payment responses.

27 The Committee asked PMO for the underlying causes of these breaches, the actions taken against its staff and the project management company if they were found to have failed to exercise due diligence, as well as the measures put in place to prevent recurrence of such irregularities.

28 PMO explained that as a new start-up organisation, NRF lacked the staff strength and capabilities to manage a major construction project. Hence, it depended heavily on its appointed project manager which had failed to exercise due diligence in managing the contracts. High staff turnover and lack of the necessary administrative processes further contributed to weak compliance, and poor documentation and record-keeping.

29 PMO informed the Committee that the contract with the project management company had since been terminated. The officers involved in the project had all left NRF except for one officer, who had been counselled.

30 NRF had undertaken the following measures to prevent recurrence of the irregularities:

- (i) Conducted briefings to in-house consultants on Government policy and guidelines;
- (ii) Required staff to put up memos to obtain relevant approvals in a timely manner and to ensure all supporting documents were properly e-filed;
- (iii) Required staff to attend courses on procurement; and
- (iv) Monitored contractor's invoices to ensure no delay in payments.

31 The Committee noted PMO's explanation but would like to emphasise that NRF remains fully accountable in ensuring that its procurement processes adhere to the principles of open competition and value for money. With regard to the non-compliance with the Building and Construction Industry Security of Payment Act, the Committee would like to remind NRF that it is important that it complies with the Act so as to set a good example.

Enhancing Accountability of Public Sector Agencies

32 The Committee noted that in many instances, the lapses raised by the Auditor-General were in relation to non-compliance with existing rules. The Committee was concerned that the rules would not be effective if the importance of accountability was not adequately emphasised and punitive measures were not taken for non-compliance with rules where warranted.

33 The Committee asked the Ministry of Finance (MOF), which is centrally responsible for Government procurement policies and rules, for its views on whether the current framework on accountability and consequences was adequate; if not, whether additional measures would be needed to enhance accountability.

34 MOF informed the Committee that officers who broke procurement rules could be subject to disciplinary action depending on the facts of the case. The disciplinary action should commensurate with the severity of the offence.

35 MOF also informed the Committee that it would be requiring the Permanent Secretaries and other Heads of Government Agencies to report on the key findings from their procurement audits and the follow-up action taken each year, as well as their plans to address systemic weaknesses, if any. Agencies would also be required to provide information on disciplinary actions taken against officers responsible for lapses.

36 MOF updated the Committee that it was working with the Public Service Division to provide further guidance to agencies regarding the investigations to be carried out upon discovery of a lapse and the factors to consider when recommending appropriate disciplinary action, where warranted. The Committee requested MOF to provide an update on the outcome of this initiative when it is completed.

37 The Committee noted the responses from MCCY, MOE, MEWR, MFA, MHA, PMO and MOF. The Committee observed that a significant proportion of procurement lapses was due to human factors and not the lack of rules and procedures. The

Committee would like to emphasise the importance of public officers having the right values, attitudes, skills and expertise to prevent lapses and fraud. To uphold the highest standards, senior management has to lead by example and maintain the standards so as to set the right tone at the top.

Oversight of Outsourced Projects

38 The Committee noted that laxity in oversight and monitoring of outsourced projects by a few public sector agencies had resulted in overpayment to contractors and irregularities in tendering processes. In this regard, the Committee sought written explanations from the following Ministries on the lapses relating to management of outsourced projects:

- (i) Ministry of Defence (MINDEF); and
- (ii) Ministry of Health (MOH).

MINDEF - Inadequate Oversight over Project to Enhance Fitness Corners

39 The Committee noted that there was inadequate oversight by MINDEF over a project (approved budget of \$4.42 million) carried out by the SAFRA National Service Association (SAFRA) to enhance fitness corners, resulting in irregularities in the way the tender for the project was called, evaluated and awarded.

40 MINDEF informed the Committee that the enhancement works were carried out under a SAFRA project for which MINDEF provided a grant. SAFRA was not acting as an agent of MINDEF and did not receive any agency fees from MINDEF. The project was managed by SAFRA in accordance with its internal governance processes approved by its Board of Governors and Management Committee.

41 The Committee was of the view that as public funds were used for the project, SAFRA as the implementation agency should adhere to proper procurement procedures. In this regard, the Committee asked MINDEF how it would ensure that procurement principles are followed for projects of this nature.

42 MINDEF informed the Committee that it recognised the need for its grant recipients to have transparent and fair procurement processes and that there was room for improvement in SAFRA's processes. MINDEF would require its grant recipients to comply with its financial governance framework. Representatives from MINDEF and the Defence Science and Technology Agency would also be appointed to the committees overseeing projects of this nature, to advise the project committees on sound procurement principles and procedures.

43 MINDEF also informed the Committee that it had worked with SAFRA to review SAFRA's procurement guidelines and had made recommendations to strengthen SAFRA's controls. SAFRA would be revising its procurement guidelines to incorporate MINDEF's recommendations. MINDEF would extend a copy of SAFRA's revised procurement guidelines (effective from FY 2014) to the Committee when it is issued.

MOH - Claims Over-valued by \$0.30 Million

44 For the project management of the Khoo Teck Puat Hospital development project, lapses were found in the valuations of and payments for contractors' claims. The Committee noted that MOH did not have a system of checks on the consultant's assessments of the contractor's claims.

45 As MOH had a few healthcare infrastructure projects in the pipeline, the Committee asked for the improvements that MOH would be making to its systems to ensure that similar lapses would not be repeated.

46 MOH informed the Committee that it took a serious view of the lapses and would continue to strengthen its procurement and payment processes. MOH had established a new Healthcare Infrastructure Projects Division to strengthen its infrastructure project development capabilities and to enhance learning across projects. The Division would carry out checks to ensure that contractual provisions are delivered before making payment.

47 MOH would also be setting up a Quality Audit Team comprising officers experienced in construction works to conduct additional checks. This would provide greater assurance that payments made would be in line with contractual provisions and actual works done. MOH would be developing a set of best practices for payment processes and sharing the lessons learnt with officers involved in the development of healthcare infrastructure.

Improving Oversight of External Project Managers in the Public Sector

48 In view of the continued occurrence of lapses pertaining to the oversight of external project managers and the increasing trend of public sector agencies outsourcing project management services, the Committee sought MOF's views on improvements that could be made.

(i) Awareness of Government Procurement Rules

49 The Committee asked what actions could be taken to ensure that external project managers are conversant with Government procurement rules and principles and to raise the awareness of the liability and consequences of failure by the project managers in discharging their duties.

50 MOF informed the Committee that outsourced project managers are expected to carry out their roles in a professional manner and in a way consistent with Government rules and principles on procurement. Public officers are expected to work with the project managers to ensure that they understand the relevant rules and principles.

51 MOF also added that the scope of responsibilities of external project managers would be governed by service agreements. Appropriate punitive actions, such as termination of service contract or debarment from future Government contracts, could be taken against project managers who fail to perform their duties in accordance with the service agreements.

(ii) *Oversight of External Project Managers*

52 MOF informed the Committee that there were guidelines and practical tools to guide officers in overseeing external project managers. Agencies could also conduct spot checks and audits on the project managers' work.

53 According to MOF, the practice of outsourcing to external project managers is mainly limited to agencies without in-house capabilities in construction-related projects. For appointment of consultants for construction-related projects, public agencies are required to select consultants from the Public Sector Panel of Consultants (PSPC) pre-qualified by the Building and Construction Authority (BCA). Selection of consultants from PSPC would ensure that the consultants are professionally competent and are registered in the appropriate panels to allow them to participate in projects of different values and nature based on their capabilities.

54 MOF further shared that BCA's Consultants' Performance Appraisal System was rolled out in 2013 with the objective of improving the evaluation and selection of external project managers, by making available performance records of project managers and consultants (in past Government projects) to all public sector agencies.

55 The Centre for Public Project Management (CP2M), a unit under MOF, would be sharing best practices and providing advisory services to improve the management of outsourced projects and facilitate better project management. Where necessary, the CP2M would second officers to assist public sector agencies in managing their infrastructure development projects. MOF had also formed a multi-agency task force to draw up guidelines to help agencies better assess the appropriate valuation of work so that they would be in a better position to detect overvaluation and overpayments.

56 The Committee noted the views of MINDEF, MOH and MOF and the actions taken to improve project management. The Committee would like to emphasise that while project management services could be outsourced, public sector agencies remain fully responsible and accountable for the projects.

Monitoring of Performance of Contractors

57 The Committee noted that several findings in the Auditor-General's Report pertained to the inadequate monitoring of performance of contractors.

58 In this regard, the Committee sought written explanations from the following Ministries on the lapses:

- (i) Ministry of Law (MinLaw);
- (ii) Ministry of National Development (MND); and
- (iii) Public Service Division (PSD) of Prime Minister's Office (PMO).

MinLaw - Ineffective Management of Contracts on Maintenance of Vacant State Land and Properties

59 The Committee observed that there were 80 instances where term contractors engaged by the Singapore Land Authority (SLA) to maintain vacant State land and properties did not carry out their works in accordance with contractual requirements (expenditure on maintenance services for FY 2011/12 totalled \$6.29 million). The Committee asked MinLaw for the follow-up actions that SLA had taken, including any recourse against the term contractors for their failure to perform to the required service standards.

60 MinLaw informed the Committee that following the audit, SLA had followed up with the contractors on the lapses and taken remedial action on all the reported cases. In addition, SLA had carried out a review of its contract management system and implemented improvements including:

- (i) Improving its checklist to guide officers in their inspection of the contractors' performance;
- (ii) Reviewing its maintenance contracts to determine whether the contracts specifications and requirements were practical and cost effective; and
- (iii) Conducting quarterly meetings with term contractors for closer monitoring of their work performance.

61 SLA had imposed liquidated damages on the contractors for their failure to meet the required service standards. SLA had also reiterated to the contractors the importance of compliance with contractual requirements and warned them that failure to comply would result in further liquidated damages being imposed or termination of the contract.

MND - Poor Management of Car Park Enforcement Contracts

62 The Committee noted that there were many instances of non-compliance with contract specifications by service providers engaged by the Housing and Development Board (HDB) (six contracts ranging from two to five years totalling \$37.24 million) to carry out enforcement functions at its car parks, including high absenteeism rate and multiple instances of not patrolling within scheduled time.

63 The Committee asked MND for HDB's follow-up actions, including the recourse it had taken or would be taking against the service providers. MND informed the Committee that HDB had since issued warning letters to the senior management of the four service providers to express its dissatisfaction on their failure to meet the contract specifications and to highlight the need for them to tighten their monitoring and control procedures. Liquidated damages had been imposed on the four service providers.

64 Following a review, HDB had implemented the following key measures:

- (i) Stepped up backend system and field checks to ensure compliance with contract specifications;

- (ii) Instituted fortnightly meetings to maintain oversight of service providers' compliance with contract specifications and ensure that improvement measures are effectively implemented;
- (iii) Set up task force to review the adequacy and effectiveness of the monitoring measures in place and recommend improvements;
- (iv) Revised car park enforcement contract requirements to improve manpower requirements, monitoring processes and liquidated damages;
- (v) Enhanced its Electronic Handheld Terminal (EHTs) system to facilitate checking on non-compliance with contract requirements; and
- (vi) Ramped up Electronic Parking System (EPS) to reduce reliance on service providers to carry out enforcement services.

65 On a related matter, the Committee noted that the Urban Redevelopment Authority (URA)'s contract with a contractor (contract value of \$10.38 million for three years) was extended twice (at a further cost of \$4.90 million for another 1.5 years) on the justification that the contractor's performance had been satisfactory. This was despite URA's surprise field audits showing high absenteeism rates of the patrolling officers of between 70 and 80 per cent since 2010. The Committee asked MND for URA's explanation on its decision to extend the contract even though the contractor had failed to meet the required attendance rates.

66 MND informed the Committee that URA, in assessing the performance of the contractor, also took into account other indicators such as monthly output and error rate in issuance of offence notices and the contractor's responsiveness to public complaints on illegal parking.

67 URA had since implemented several key measures, which included improving its EHTs to prevent patrolling officers from straying out of their assigned cluster of car parks.

68 MND informed the Committee that it had emphasised to all its statutory boards the importance of monitoring contractors' performance and ensuring that contractors meet all requirements as set out in the contracts. MND would be stepping up on internal audits covering contract and performance management as part of its regular checks and balances.

69 The Committee is concerned with the extension of the contract with the incumbent contractor despite its apparent underperformance.

PMO - Poor Maintenance of Government Resorts

70 The Committee noted the poor maintenance of Government resorts and the poor oversight by PSD on the maintenance work by the outsourced contractor (contract value of \$13.07 million for four years). The Committee asked PMO for an update, including the actions that PSD would take against the contractor responsible and the improvement that PSD would make to its processes.

71 PMO explained that the poor maintenance of the resorts was generally due to the poor performance of the contractor and the inexperience of PSD's staff in managing the contractor.

72 PSD had met the senior management of the contractor several times to discuss the measures needed to improve the maintenance and cleanliness of the resorts. The contractor had since implemented measures to ensure that maintenance repairs are carried out promptly. PSD would also be monitoring the contractor's work closely and increasing its frequency of inspections of the resorts.

73 PMO informed the Committee that PSD had imposed liquidated damages on the contractor for the lapses found by the Auditor-General's Office as well as PSD's internal audits carried out in July and August 2013.

74 PSD had conducted a review of its organisation capabilities and its procurement processes and instituted various changes including:

- (i) Reorganised to reap the synergy and consolidate expertise in procurement, infrastructural and facility management within PSD;
- (ii) Stepped up training on procurement and management of contractors; and
- (iii) Revamped the internal audit process to promptly address gaps and weaknesses.

75 The Committee noted the responses of MinLaw, MND and PMO. The Committee would like to emphasise that it is important for public sector agencies to enhance their capability and processes in order to effectively supervise and manage contractors, and be a smart buyer of services.

Management of Computer Access Controls

76 The Committee noted that lapses on computer access controls had continued to surface in public sector agencies.

MHA - Lapses in Management of User Accounts

77 The Committee noted that there were instances of unauthorised access to the Government central accounting system through SCDF user accounts that were not removed, even though the users had left service or had been redeployed. The Committee had serious concerns over these lapses.

78 MHA informed the Committee that SCDF had investigated and found that there were no unauthorised and fraudulent transactions. The inactive user accounts that were no longer needed had since been deleted. SCDF had since instituted monthly checks to review users flagged as inactive and would follow up with the supervisors of these users on the need for these accounts. SCDF would take prompt action to remove those accounts which are no longer required.

Actions to Minimise Risk of Misuse of Data

79 With the extensive deployment of IT systems and the appointment of more outsourced vendors to manage IT systems, the Committee was concerned over the potential risk of data loss, privacy infringements and misuse of data by both public officers and outsourced vendors. In this regard, the Committee asked MOF and MCI for the actions that they would be taking to minimise the risk of misuse of data.

80 MOF agreed that proper IT data management is essential to minimise the potential misuse of data and privacy infringements by both public officers and outsourced vendors. The following measures had been put in place to address this risk:

- (i) Engaging Chief Data Officers of ministries and statutory boards on the revised IM principles of Data Protection governing the collection, use and disclosure of personal data;
- (ii) Providing training guides and materials on public sector rules (relating to data protection) to the agencies;
- (iii) Wording public sector rules relating to data confidentiality into contracts for outsourced vendors;
- (iv) Requiring all outsourced vendors who handle public service data to sign non-disclosure agreements prior to their appointment;
- (v) Working with the Civil Service College to introduce new Data Management courses; and
- (vi) Engaging external field experts to build up capabilities.

81 MCI informed the Committee that the current measures to secure Government Information and Communication Technology (ICT) systems included establishing mandatory ICT security policies and standards, providing agency with guidelines and advisories, conducting annual compliance audits and security tests as well as performing scans for vulnerabilities at the Whole-of-Government level. Government agencies are also required to conduct mandatory ICT security reviews and audits periodically to ensure compliance with the security policies and standards.

82 According to MCI, Government ICT security policies would be continually enhanced to address new security threats and additional safeguards would be put in place to mitigate security risks where needed. Recent initiatives by MCI or Infocomm Development Authority of Singapore (IDA) included:

- (i) Issuance of the System Access Rights Management Standard Operating Procedures to the heads of agencies on 30 August 2013 to provide clarity and guidance on access rights management;

- (ii) Continual engagement with government agencies to share the lessons learnt and best practices on management of system access controls and ICT security; and
- (iii) Establishment of taskforce to look into developing and sharing best practices to further help agencies in access rights management.

83 On whether IDA could play an active role or take on the role of assisting ministries and statutory boards (especially the smaller agencies which might not have the relevant expertise) in the management of IT projects, MCI informed the Committee that public sector agencies could engage IDA services to support their IT needs. IDA provided professional ICT services to 51 of the 98 public sector agencies. IDA would also oversee and develop IT standards, policies, guidelines and procedures for public sector agencies and conduct training courses.

84 The Committee noted the replies of MOF and MCI. The Committee was concerned that despite the rules being in place, lapses continued to occur, many of which were due to the lack of diligence on the part of personnel involved. The Committee urged public sector agencies to exercise greater vigilance in IT controls and to be proactive in seeking IDA's assistance, when necessary, to better manage their IT access rights, data protection and IT projects.

Management of Stocks and Stores

85 The Committee noted three lapses reported in the Auditor-General's Report on the management of stocks and stores. The Committee was concerned that should the weaknesses in controls continue to perpetuate, they might lead to wastage or unnecessary loss of public funds. In this regard, the Committee sought written explanations from the following Ministries on the lapses reported:

- (i) Ministry of Defence (MINDEF);
- (ii) Ministry of Home Affairs (MHA); and
- (iii) Ministry of Manpower (MOM).

MINDEF - Lapses in Management of Stores

86 The Committee noted that there were weak controls over MINDEF-owned stores (managed and distributed by an outsourced logistics contractor) on loan to various MINDEF units. Stores relating to 94 loans (amounting to \$0.20 million) were also unaccounted for. MINDEF stated that it had completed the follow-up actions on 63 out of the 94 unaccounted loans.

87 Upon the Committee's query, MINDEF updated that its investigations had revealed administrative and procedural lapses at the unit level for the remaining 31 unaccounted loans. Disciplinary actions had been or would be taken against the personnel who failed to properly account for the stores and comply with the stipulated procedures.

88 MINDEF added that it would reinforce the importance of compliance with loan procedures by its units, and sternly impose the military discipline framework against personnel found to be negligent.

MHA - Weaknesses in Management of Gift Vouchers

89 The Committee expressed concern over the many control weaknesses in SCDF's management of gift vouchers given to its staff for various awards, considering that there were guidelines issued by MHA on the management of gift vouchers and the relatively significant amount of gift vouchers purchased (amounting to about \$1 million a year for the FY 2009/10 to FY 2011/12, or approximately \$170 per officer in the FY 2011). The Committee asked MHA for the underlying causes for the lapses and the actions it would be taking against any staff found to have failed to exercise due diligence, deliberately breached procedures and internal controls or misappropriated the gift vouchers.

90 MHA informed the Committee that there were two main underlying causes for the lapses: inadequate controls and a lack of appreciation of the financial risk involved in the procurement and management of gift vouchers.

91 MHA added that it had issued two circulars on gift vouchers to its departments to spell out the guidelines for the proper control and management of gift vouchers and to impose a cap on the usage and purchase of gift vouchers.

92 SCDF had since reduced the amount spent on gift vouchers and would conduct bi-annual audit checks on gift voucher management on top of the existing monthly surprise checks.

93 MHA further assured the Committee that there was neither deliberate breach of procedures and internal controls nor any misappropriation of the gift vouchers. Arising from the lapses, several officers were counselled and all officers were reminded to observe the guidelines in the MHA directives.

MOM - Wastage from Software Not Installed after Purchase of Licences

94 The Committee noted that 55 software licences purchased by the Central Provident Fund Board (CPF Board), for its project on Common Infrastructure for IT Systems, between 1 to 3.5 years ago as at January 2013 were not installed. These licences cost approximately \$0.99 million (including maintenance costs of the licences). The Committee asked MOM for the underlying causes for the wastage and whether any staff had been found to be negligent.

95 MOM explained that the software licences were initially purchased to upgrade the CPF Board's technology infrastructure. However, the subsequent streamlining of business requirements and change in technology configurations resulted in fewer licences being required than earlier anticipated.

96 The Committee noted that there was wastage of public funds as a result of over-specification of licences required.

97 The Committee noted the actions taken by MINDEF, MHA and MOM.

Lapses in Administration of Schemes and Grants

98 The Committee noted two observations in the Auditor-General's Report on lapses in the administration of schemes and grants relating to the Media Development Authority (MDA).

Lapses in Administration of Film Distribution and Exhibition Licensing

99 The Committee noted that 22 licences (for carrying out the business of importing, making, distributing or exhibiting films), which were only renewed after the expiry date (for as long as 1 year 9 months), were backdated to commence immediately after the old licences had expired. The Committee asked MCI for the rationale for MDA's backdating of the licences.

100 MCI explained that the licences were administered through an online system which was designed to auto-backdate licences upon renewal. Since February 2013, MDA had disallowed the auto-backdating of licences and would be making enhancements to its online system.

Lapses in Evaluation and Approval of Research Projects

101 The Committee noted that for MDA's "GAMBIT Game Lab" (a \$40 million multi-year research initiative), there was no evidence that required evaluations were carried out and approvals were obtained for funding of research projects for all six projects test-checked. The Committee was concerned that the lapses noted could be an indication of staff carrying out their duties perfunctorily. The Committee asked MCI for the procedures in place for the evaluation and approval of research projects and whether any staff was found to have failed to exercise due diligence in carrying out his duties.

102 MCI informed the Committee that there were standard operating procedures in place. The lapses in documentation of the evaluation and approval could have arisen as MDA only had one staff to manage all the documentation and coordination for the research projects, amongst other duties. MDA recognised that the supervisors should have taken timely action to rectify the inadequacies in the processes. As all key personnel overseeing the project had left MDA, no disciplinary action would be taken.

103 The Committee noted the reply from MCI. The Committee would like to emphasise the importance of public officers' accountability in the use of public funds. Supervising officers should address and rectify any lapses promptly and effectively.

Lapses in Management of Loans and Advances, and Fees

104 The Committee noted lapses in MUIS' management of loans and advances, and Haj administration fees and asked MCCY for the measures that MUIS had taken or would be taking to prevent the recurrence of similar lapses.

105 MCCY informed the Committee that MUIS had formed an internal review team to address the gaps in the system and supervise the implementation of the remedial actions required.

106 MUIS would be deploying additional dedicated staff to resolve the inadequacy of monitoring and collection of fees and charges arising from the increased volume of Halal Certification applications.

107 MCCY also informed the Committee that annual check and reconciliation would be performed on Haj administration fees collected against the register of pilgrims in the databases. MUIS would also be publishing all unclaimed refunds in the newspapers and at the Government unclaimed monies portal on a regular basis and was looking into the possibility of enhancing its refunds process.

108 The Committee noted the actions taken by MCCY and MUIS.

MINUTES OF PROCEEDINGS

7th Meeting

Tuesday, 20th August 2013

10.00 am

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
Ms Jessica Tan Soon Neo
Dr Teo Ho Pin

ABSENT:

Mr Zaqy Mohamad

1. The Committee considered the Report of the Auditor-General for the Financial Year 2012/13 (Paper Cmd. 7 of 2013).
2. The Committee deliberated.
3. The Committee examined findings contained in the Auditor-General's report and agreed to write to the Ministry of Communications and Information, Ministry of Culture, Community and Youth, Ministry of Defence, Ministry of Education, Ministry of Finance, Ministry of Foreign Affairs, Ministry of Health, Ministry of Home Affairs, Ministry of Law, Ministry of Manpower, Ministry of National Development, Ministry of the Environment and Water Resources, National Research Foundation and Public Service Division to submit memoranda on matters raised.

Adjourned to a date to be fixed.

8th Meeting

Tuesday, 7th January 2014

10.00 am

PRESENT:

Mr Cedric Foo Chee Keng (*in the Chair*)
Mr Christopher De Souza
Ms Foo Mee Har
Mr Gan Thiam Poh
Ms Jessica Tan Soon Neo
Dr Teo Ho Pin
Mr Zaqy Mohamad

ABSENT:

Mr Ang Hin Kee

1. The Committee considered the memoranda received from Ministry of Communications and Information, Ministry of Culture, Community and Youth, Ministry of Defence, Ministry of Education, Ministry of Finance, Ministry of Foreign Affairs, Ministry of Health, Ministry of Home Affairs, Ministry of Law, Ministry of Manpower, Ministry of National Development, Ministry of the Environment and Water Resources, National Research Foundation and Public Service Division.
2. The Committee deliberated and considered the Chairman's draft report.
3. The Committee agreed to write to the Ministry of Communications and Information, Ministry of Culture, Community and Youth, Ministry of Defence, Ministry of Finance, Ministry of Home Affairs and Public Service Division to submit further memorandum on matters raised and for updates.

Adjourned to a date to be fixed.

9th Meeting

Tuesday, 25th March 2014

10.00 am

PRESENT:

Mr Cedric Foo Chee Keng (*in the Chair*)
Mr Ang Hin Kee
Mr Christopher De Souza
Mr Gan Thiam Poh
Dr Teo Ho Pin

ABSENT:

Ms Foo Mee Har
Ms Jessica Tan Soon Neo
Mr Zaqy Mohamad

1. The Committee considered the memoranda received from Ministry of Communications and Information, Ministry of Culture, Community and Youth, Ministry of Defence, 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 108 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.