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# AGO's Role in Fostering Good Governance in Singapore Public Sector

ASEANSAI Symposium on Good Governance  
Bandar Seri Begawan, Brunei Darussalam  
28 November 2012

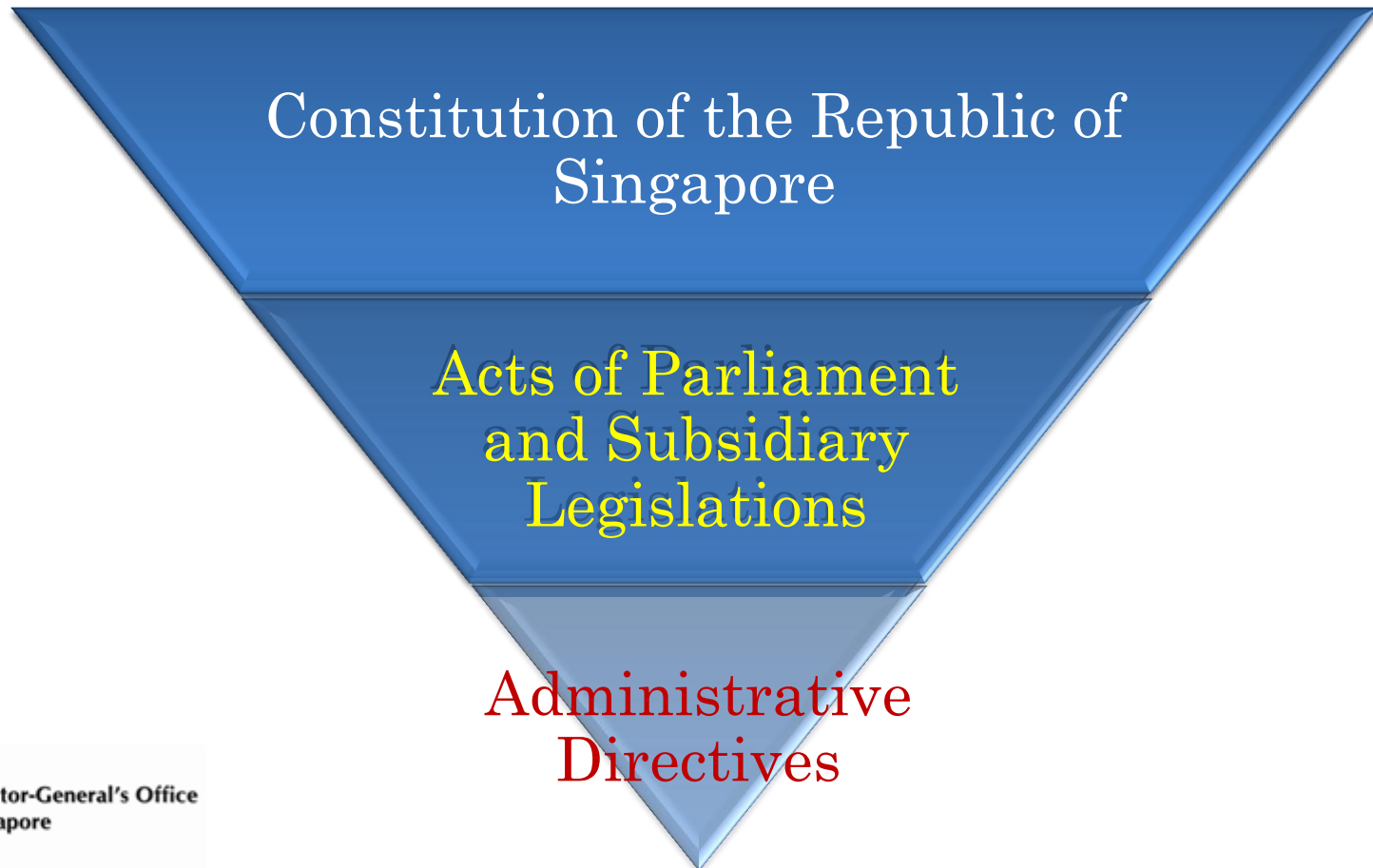
*“... Most cities share similar broad objectives - to generate vibrant economies, create good jobs, provide a safe and secure environment for its residents, deliver good public services, whether it is waste disposal, clean and reliable water, or public transport; and to make all these individual pieces work, to have effective governance so that the system as a whole functions well.”*

*Lee Hsien Loong, Prime Minister of Singapore  
July 2012*

# Outline of Presentation

- Singapore's Governance Framework
- AGO's Role in Fostering Good Governance
- Enhancing Audit Report's Usefulness
- Enhancing the Understanding and Reach of Audit Reports
- Improving Governance through Public Education
- Improving Public Sector Procurement Practices
- Good Practice Guides for Statutory Boards
- Conclusion

# Singapore's Governance Framework





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# AGO'S ROLE IN FOSTERING GOOD GOVERNANCE

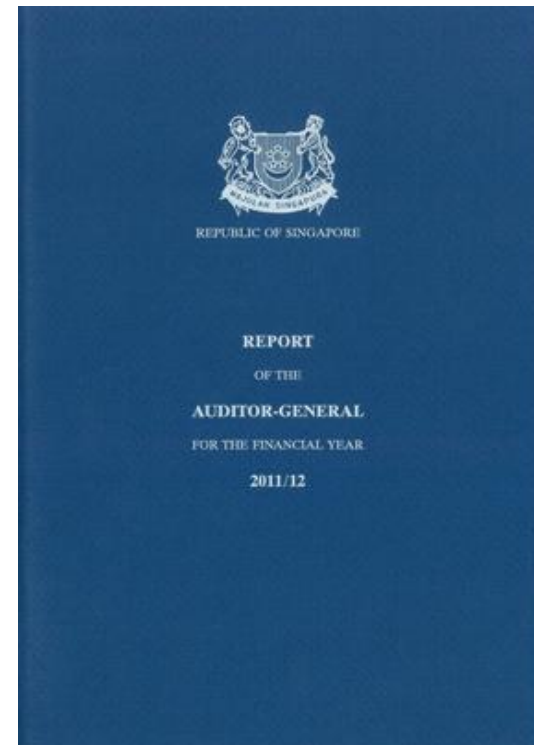
## AGO's Role in Fostering Good Governance

- AGO has legal mandate to audit and report to the President and Parliament on financial regularity, and to ascertain whether the laws, and directives relating to moneys or stores are complied with.
- AGO is authorised to examine whether there has been excess, extravagance, or gross inefficiency tantamount to waste, and whether measures to prevent them are in place.



# Report to the President and Parliament

- Summaries of main audit findings for the work year
- Includes any inadequacy in the remedial or preventive actions taken by agency following lapses reported in AGO's earlier Reports
- Report made available to the Public



## Public Accounts Committee

- Call government agencies to account for the lapses reported by AG
- May ask Permanent Secretaries to appear at hearings
- Make recommendations to improve management controls and practices, and to increase accountability





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# ENHANCING AUDIT REPORT'S USEFULNESS

## Enhancing Audit Report's Usefulness

- Since 2007, Report includes an “Overview” section, allowing AG to give comments from an overall perspective to highlight areas of common concern and to make broad recommendations.
- Examples of areas highlighted:
  - Waivers of competition not based on compelling grounds;
  - Works carried out before requisite approval was obtained;
  - Excess grants not promptly recovered;
  - Shoddy project management resulting in over-payments or wrongful payments

## Enhancing Audit Report's Usefulness

- AG would share his perspective on the underlying problems giving rise to the lapses found in the audits, e.g.
  - Lack of rigour in scrutiny by approving authorities – not exercising a measure of scepticism and failing to ask the “inconvenient question”;
  - Treating the role of approving authorities as perfunctory; cosy relationship resulting in agencies exercising too light a touch when dealing with related parties such as subsidiaries;
- Overviews help PAC to sharpen focus in its inquiries into the audit findings



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# ENHANCING THE UNDERSTANDING AND REACH OF AUDIT REPORTS

# Enhancing the Understanding and Reach of Audit Reports

- Media Guide helps media to
  - Understand the structure and underlying concerns of the audit findings from a broad perspective
  - Understand the relative seriousness of the audit findings
  - Better draft news reports or commentaries, thereby enabling news readers to fully understand the nature of the audit findings.
- Report is also published on the AGO's website
  - Increase public awareness.
  - Public sector agencies concerned face pressure not just from the Parliamentarians, but also from the media and the public, to take prompt corrective actions to improve governance practices.




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# IMPROVING GOVERNANCE THROUGH PUBLIC EDUCATION



## Improving Governance through Public Education

- Conduct talks for public officers
- Offer internal training vacancies to interested agencies
- Raise level of public awareness of public accountability:
  - FAQ on AGO's role and nature of work on AGO website
  - Information brochure on “*What is Public Accountability?*”
  - Feedback channel on AGO website for members of public to whistle-blow on suspected irregularities involving government practices



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# **EXAMPLE 1: IMPROVING PUBLIC SECTOR PROCUREMENT PRACTICES**

## Example 1: Improving Public Sector Procurement Practices

- Some typical lapses and irregularities in procurement includes:
  - Inappropriate use of term contracts resulting in gross overpayment for items purchased;
  - Setting of unrealistically short period for submission of tenders thereby limiting competition;
  - Not giving equal opportunity to tenderers for revising their bid prices following change of requirements;
  - Accepting of sole bids without assurance of reasonable pricing;
  - Providing to tender approving authorities inaccurate or incomplete information;
  - Accepting a tender not meeting specifications;
  - Paying for materials / works not meeting specifications; and
  - Paying for materials not delivered.

## Example 1: Improving Public Sector Procurement Practices

- Following discussion with the Public Accounts Committee on the underlying cause of the lapses, the Ministry of Finance (MOF) carried out a review of the public sector procurement rules and guidelines, and made changes to make the role and responsibilities of key officers in the procurement process clearer.
- MOF would also implement the following measures:
  - Providing an online resource centre for procurement officers, and pilot-testing a business intelligence tool for procurement planning and monitoring;
  - Requiring all officers vested with approving authority to be informed of their responsibilities when they are appointed; and
  - Providing a checklist to help approving officers understand and better discharge their responsibilities.
- PAC also recommended setting up a central procurement agency to carry out procurement on behalf of government agencies.

## Example 1: Improving Public Sector Procurement Practices

- With regard to the use of inappropriate term contracts resulting in gross overpayment for items purchased, following AGO's recommendation, MOF:
  - Issued a circular to ask agencies to check at-risk purchases; and
  - Amended the Government Instruction Manual on Procurement to introduce controls to prevent inappropriate use of term contracts and to ensure fair market prices are charged for items not priced in term contracts.



## Example 1: Improving Public Sector Procurement Practices

- Following a further review, MOF announced in a Parliament Sitting in August 2012, that it would:
  - Look into setting up a central procurement agency.
  - Enhance the rules on handling of single bids, such as requiring additional justifications to be submitted to the Approving Authority before a decision is made to award to the single bidder.
  - Revise the minimum opening period for suppliers to submit bids from 4 to 7 working days.
  - Develop checklists to guide officers on what to look out for when giving approval at various stages of the procurement process.





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## **EXAMPLE 2: GOOD PRACTICE GUIDES FOR STATUTORY BOARDS**

## Example 2: Good Practice Guides for Statutory Boards

- AGO raised a number of common audit observations on weaknesses in governance practices in statutory boards
- Embarked on horizontal audit across statutory boards to identify common gaps or shortcomings in governance framework and practices.
- Also carried out a horizontal audit on the Internal Audit (IA) practices of statutory boards

## Example 2: Good Practice Guides for Statutory Boards

### Horizontal Audit on Governance Framework and Practices

- A survey of the governance practices of statutory boards, and
- A comparative study of the legislation of statutory boards with regard to governance requirements.
- Examples of common gaps and shortcomings found:
  - Lack of oversight by their governing boards over the establishment and implementation of the board's risk management system;
  - No requirement in their Acts to submit their annual budgets to their governing boards for approval;
  - No requirement in their Acts that their audited financial statements be presented to Parliament;
  - No stipulations in their Acts of the term of office of governing board members and the maximum number of terms allowed.

## Example 2: Good Practice Guides for Statutory Boards

### Survey on Internal Audit Function

- AGO noted few areas where improvement is necessary, including:
  - To ensure its independence, the Audit Committee should not include any member of the management team;
  - The IA Unit should have an IA charter (approved by the Audit Committee or the governing board) setting out the purpose, authority, responsibilities and reporting lines of the IA function;
  - There should be an IA manual that sets out the audit methodology, approach and documentation standards.

## Example 2: Good Practice Guides for Statutory Boards

### Good Practice Guides

- Based on the results, AGO developed two baseline guides on:
  - ***Good Governance Principles for Statutory Boards;***  
and
  - ***Implementation Guidelines on Internal Auditing in Statutory Boards***
- AGO recommended that MOF adopt them as guides for statutory boards to model their own governance framework and practices.
- MOF has since circulated the guides to the statutory boards.



# Conclusion

- A good governance framework is important as it contributes to sound stewardship of public funds and resources for the public good.
- AGO is one limb of the governance framework with responsibility for giving assurance to the public that the framework is well-oiled and working as intended.
- Through its audits as well as its educational outreach efforts, AGO contributes directly to the fostering of good governance in the public sector.





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