13. MOE acknowledged that the process for appointment of officers could be improved and informed us that it had since strengthened controls in this area. This included monthly independent checks to identify any discrepancies between approved appointments and actual appointments sent for processing. It had also made it clear to staff that governance standards must be upheld regardless of operational pressures. MOE would be working towards automating the appointment process to reduce manual work and enhancing its internal controls and monitoring by the end of 2027.

MINISTRY OF HEALTH

14. We audited the contract management for the development of a medical institution under the Ministry of Health (MOH). The more significant observations from the audit are presented in the paragraphs below.

Lapses in Approval and Financial Governance of Development Project

15. Development projects above $500 million[1] are subject to a Gateway Process for additional scrutiny as they carry higher fiscal and implementation risks. This is to improve cost management and enhance the robustness of project proposals. The process includes seeking Cabinet's in-principle approval to embark on the project, followed by approval from the Development Planning Committee (DPC)[2] for the total project cost. Agencies are not to make public commitments to spend Government funds (e.g. calling of tenders) before DPC's approval is obtained, unless the Ministry of Finance (MOF) concurs. The project must be reapproved by DPC if there are subsequent material changes to its scope, or if the project cost increases by more than 10% of the approved cost or $100 million, whichever is lower.

16. After the Cabinet's in-principle approval for the development project, MOH obtained DPC's approval for the project in July 2016 at a total cost of $864.36 million.

[1] The threshold was changed to $600 million in 2023.

[2] DPC comprises 3 Ministers.

17. We found lapses in the approval and financial governance of the development project as follows:

a. MOH proceeded to call and award 12 tenders and 1 quotation (total contract sum of $30.83 million) for the project before obtaining the approval of DPC, without MOF's concurrence;

b. MOH subsequently funded 5 items (totalling $35.34 million) from the project budget that had been specifically rejected or reduced by DPC without reseeking DPC's approval; and

c. MOH did not declare project savings (totalling $147.96 million) to MOF within the stipulated timeline. As at March 2026, MOH had yet to declare the project savings to MOF, more than 7 years past the deadline. We understand from MOH that it did not declare savings for all its development projects, and not just for the one we audited. We also observed that MOH had used the undeclared savings to fund 3 items (totalling $11.95 million) without MOF's approval, of which 2 items (totalling $4.08 million) had been previously rejected by DPC.

Details of the lapses are in the paragraphs below.

A. Works Committed Before DPC's Approval Without MOF's Concurrence

18. MOF's Finance Circular Minutes (FCMs) stipulate that agencies should not make public commitments to spend Government funds (e.g. calling of tenders) before obtaining the DPC's approval. Even if in-principle approval had been given for the project, agencies are not to make public commitments unless MOF concurs. Agencies could be penalised for not complying with this requirement.

19. We found that MOH called and awarded 12 tenders and 1 quotation (total contract sum of $30.83 million) for the project before obtaining the approval of DPC, without MOF's concurrence. These were called and awarded between May 2013 and April 2016, with the earliest called about 3 years before DPC's approval in July 2016. For 11 of these procurements (total contract sum of $26.31 million), the tenders and quotation were called and awarded even before MOH had obtained in-principle approval to embark on the project. This contravened MOF's requirements.

B. DPC's Approval Not Sought for Material Variations in Project Scope

20. Agencies are required to seek approval on the financing and implementation details from their Internal Approving Authority (IAA) after DPC's approval. MOF's FCMs stipulate that agencies are not to include items that were previously rejected or specifically reduced by DPC or MOF. Revisions to such items constitute material variations in scope. As such variations could have affected DPC's judgement of the project's need and merit, agencies are required to resubmit them to the DPC for approval. This is to ensure that DPC's decisions are made with full information.

21. We found that MOH had obtained its IAA's approvals to fund 5 items (totalling $35.34 million) from the project budget, even though these items had been specifically rejected or reduced by DPC. Approval to reinstate 3 of the items (totalling $31.26 million) was obtained from the IAA in August 2016, just 1 month after DPC's decision in July 2016. According to the FCMs, the inclusion of such items was tantamount to material variations in project scope that would require resubmission to DPC for approval. MOH did not do so, contravening the FCM requirements.

C. *Project Savings Not Declared and Used for Works Rejected by DPC*

22. We observed that MOH did not declare to MOF project savings which had arisen from lower tender rates within 1 month after the construction tenders were awarded in April 2017 and February 2019.

23. MOF's FCMs stipulate that any savings arising from major tenders for development projects exceeding $100 million should be declared to MOF, no later than 1 month[3] after the tender is awarded. The approved project cost would be reduced correspondingly by the amount of savings declared, enabling MOF to redirect the savings towards other projects.

24. Our test checks of major tenders for the project found savings totalling $147.96 million, which was 17% of the approved project budget of $864.36 million. These savings were from 2 construction tenders awarded in April 2017 and February 2019, with most of the savings (i.e. $145.80 million or 99% of the total savings) arising from the first tender. Based on the FCMs, the savings should have been declared in May 2017 or latest by March 2019, 1 month after the respective tenders were awarded. As at March 2026, more than 7 years after the award of the final construction tender, MOH had yet to declare the savings to MOF.

25. Upon our query, MOH informed us in March 2026 that it did not declare savings for all its development projects, and not just for the one we audited.

26. In addition, we observed that MOH had used the undeclared savings to fund 3 items (totalling $11.95 million) without MOF's approval, of which 2 items (totalling $4.08 million) had been previously rejected by DPC. As mentioned in paragraph 21, these 2 items which constituted material variations in scope should have been resubmitted to DPC for approval.

27. The lapses contravened FCM requirements and undermined the Government's project approval framework and financial governance controls designed to ensure proper oversight of large development projects. The non-declaration of savings also weakened MOF's controls to ensure discipline in the use of public funds and to redirect unused budget towards other projects.

[3] The required timeframe was changed to 3 months in 2021.

28. MOH acknowledged that MOF's concurrence should have been sought before it proceeded to call the tenders and quotation prior to DPC's approval. For items reinstated without DPC's approval, MOH explained that it had misinterpreted MOF's conveyance of DPC's approval. It acknowledged that before reinstating items, it should have obtained MOF's advice on whether they constituted a material change in scope. In addition, it should have reported the project savings in accordance with the timeline in the FCMs. MOH would be declaring the project savings for the audited development project, and other ongoing and past development projects by September 2026.

29. Moving forward, MOH would be strengthening its processes and SOPs to ensure compliance with the FCMs. These included: (i) ensuring MOF's explicit concurrence was sought before MOH proceeded to call tenders and quotations prior to DPC's approval; (ii) requiring proper assessment on whether variations to the project scope were material and would require resubmission to DPC; and (iii) incorporating the project savings reporting process into its SOPs.

Lapses in Contract Management

30. MOH appointed contractors for the construction, along with consultants and an agent, MOH Holdings Pte Ltd (MOHH), to manage the contracts on its behalf. It also tasked MOHH to manage the consultancy services contracts.

31. Our test checks of the main construction contract and 5 consultancy services contracts (total contract sum of $403.76 million) found lapses in the management of all 6 contracts. These included:

a. Approvals obtained after commencement or completion of variation works;

b. Consultancy fees for additional services not computed in accordance with SOP;

c. Lapses in assessment of star rate items;

d. Lapses in valuation of contract variations; and

e. Loss and expense payments made to contractor not properly substantiated.

Details of the lapses are in the paragraphs below.

A. Approvals Obtained After Commencement or Completion of Variation Works

32. We test-checked 18 contract variations (totalling $22.89 million) under the 6 contracts. We found that approvals for 11 variations (totalling $11.90 million or 52% of the total approved amount of variations test-checked) were obtained after variation works had commenced or were completed. The delays ranged from 1.6 to 6 years after works had started. In addition, approvals for 6 of these variations were obtained 5 months to 2 years after works were completed.

33. The delays in obtaining approval indicated weaknesses in the monitoring and management of contract variations. They undermined the role of the approving authority to ensure that variations were justified and the costs involved were acceptable before proceeding with the works.

B. Consultancy Fees for Additional Services Not Computed in Accordance with SOP

34. In January 2018, a committee headed by MOH had approved an SOP for assessing consultancy services fees for additional works. The SOP contained a formula for computing the additional consultancy fees.

35. We test-checked 5 contract variations (totalling $11.29 million) involving additional design works under the 5 consultancy services contracts. We found that the consultancy fees for all 5 variations were not computed in accordance with the approved SOP. MOHH had used a different formula but it informed the approving authorities that the fees were computed in accordance with the SOP. As a result, based on incorrect information, the approving authorities approved consultancy fees that were $1.88 million (or 20%) higher than what they should have been if the approved SOP had been used.

36. MOHH informed us that the change in formula was formalised in a practice note. However, we noted that the practice note was approved in October 2020, after the 5 variations had been approved in 2018 and 2019. In addition, the practice note was approved by MOHH, without approval being sought from the committee for the change in computation method.

37. It is important to disclose all pertinent facts to enable approving authorities to make informed decisions. For good control, changes to the approved SOP should be highlighted to the committee for approval before they are incorporated in practice note(s).

C. Lapses in Assessment of Star Rate Items

38. We test-checked 310 star rate items[4] (totalling $16.54 million) in 8 contract variations under the main construction contract. We found lapses in the assessment of 265 star rate items (totalling $12.90 million or 78% of the total value of star rate items test-checked) in 6 variations. We noted that the consultants either did not assess the items for cost reasonableness or did not use independent quotations to assess the contractor's prices before finalising accounts. This was not compliant with the Government Instruction Manual on Procurement and MOHH's SOP for Variation Management. Hence, there was a lack of assurance that value for money had been obtained for the star rate items.

[4] Star rate items refer to items for which rates are not listed in the contract.

D. Lapses in Valuation of Contract Variations

39. We test-checked cost assessments for 9 contract variations (totalling $16.92 million) under the main construction contract. We found 44 instances (in 6 variations totalling $16.30 million) where variation works were not properly accounted for. These included the use of incorrect rates or quantities to value the works, and misclassification of works as variations when they were already within the contracted scope. As a result, there was an estimated net overpayment of $295,300.

40. We also found 4 instances where the contract sum was not adjusted to account for works that were not carried out or not carried out in accordance with contractual requirements. The total estimated overpayment amounted to $68,000.

41. As a result, there was an estimated total net overpayment of $363,300 to the contractor.

E. Loss and Expense Payments Not Properly Substantiated

42. MOH paid loss and expense (L&E)[5] totalling $7.27 million (including manpower cost of $4.76 million) to the contractor for 5 delay events[6].

43. We test-checked L&E payments involving manpower cost (totalling $2.20 million) and found that they were not properly substantiated, raising concerns on whether the payments were valid. Our observations are as follows:

a. The consultants' assessment was primarily tabulations of the amount payable for each component. There was no justification on how they qualified as L&E. For example, there was a lack of substantiation for the additional costs of site personnel which were not required under the contract or in excess of contractual requirements ($1.02 million of the $2.20 million).

b. Timesheets were either not provided or not verified by MOHH or the consultants. Without independent verification, there was no assurance that the timesheets used to substantiate L&E claims were reliable.

c. The contractor submitted a late notice for 1 of the delay events, beyond the contractual timeline to be entitled for L&E. However, there was no justification by the consultant for accepting the late notice and MOH paid an estimated $0.99 million for manpower cost for the delay event.

[5] This refers to costs or losses incurred by the contractor due to eligible delay events. They would otherwise not be incurred and reimbursed under other contractual provisions.

[6] Delay events are circumstances that disrupt or prolong the completion of the works, and would entitle the contractor to an extension of time.

44. Overall, there was inadequate assurance that full value had been obtained for the public funds spent. MOH needs to improve its system of checks and oversight of MOHH and the consultants. Even if MOH has an agent and consultants to manage projects on its behalf, it remains responsible for the use of public funds.

45. MOH acknowledged the lapses and informed us that MOHH would reassess all affected items mentioned in paragraphs 38 to 43, and make the necessary cost adjustments, including recovery of any overpayments, by December 2026. For consultancy fees not computed in accordance with SOP mentioned in paragraphs 34 to 37, MOH informed us that the formula in the SOP approved by the committee was wrong. MOHH had since presented the correct formula to the committee in April 2026, which the committee noted.

46. MOH also informed us that MOHH would review its SOPs and put in place measures by September 2026 to strengthen its processes. Some examples included:

a. Clearly stipulating the need to seek approval for variation works for all contracts before commencement of works;

b. Implementing a formal tracking process to ensure that approvals were obtained from appropriate authorities before changes were made to approved SOP prior to implementation;

c. Enhancing oversight of consultant's star rate assessment and reviewing contractual requirements in consultancy services contracts to ensure compliance with the Government Instruction Manual on Procurement;

d. Undertaking more checks and audits to ensure that valuations of variations were carried out in accordance with SOP and completed within a stipulated timeframe; and

e. Implementing a checklist for L&E claims, which would require compliance with contractual provisions and provision of documentary evidence and detailed justification, where applicable.

Lack of Due Diligence Checks Before Issuance of Final Account

47. The final account for the main construction contract was issued to and agreed by the contractor in December 2024. MOH made final payment to the contractor in March 2025. However, MOHH reopened the final account in April 2025 to address internal audit (IA) findings and new variation works.

48. We observed that there was a lack of due diligence checks carried out before the final account was issued. Subsequent to the contractor agreeing to the final account, MOHH and the consultants amended the variation costs for 170 (out of 324) variations as at January 2026. There was an estimated overpayment of $977,200 as the total variation amount was reduced. We also noted that sampling checks for star rate items were carried out close to a year after the final account had been agreed upon. This was not compliant with MOHH's SOP, which required sampling checks to be carried out upon receiving the consultants' valuation of the variations. As at January 2026, checks on variations were still not completed.

49. In addition, we noted that MOHH was already aware of its IA's findings on the management of the contract before it issued the final account in December 2024. Its IA had found instances of contract variations not properly valued (such as lapses in assessment of star rate items), failure to deduct costs for works not carried out, and potential overpayment. These were shared with the team managing the contract in September 2024, before the draft IA report was issued in November 2024. In our view, it was not prudent for MOHH, having known the issues raised by its IA, to proceed to issue the final account and recommend that MOH make payment.

50. The above did not provide assurance that thorough and adequate checks had been carried out before the final account was issued. As sampling checks serve as an additional layer of checks for star rate items, they should have been carried out before, and not after the issuance of the final account.

51. MOH informed us that it would exercise greater oversight over MOHH by requiring MOHH to work with its consultants to reassess all affected variations and make the necessary cost adjustments, including recovery of any overpayments, by December 2026. This would be followed by an audit on the variation works, conducted by its IA by March 2027. Both steps were to be completed before the final account was reissued. Moving forward, MOHH would also implement a pre-final account checklist for all ongoing and future projects.

Possible Irregularities in Quotations for Star Rate Items

52. Our test checks of 15 contract variations under the main construction contract (contract value of $379.40 million) found possible irregularities in quotations for 76 star rate items (totalling $2.62 million) in 12 contract variations. Given the possible irregularities, we had concerns over the authenticity of the quotations provided and whether value for money had been obtained for these items.

53. MOH informed us that it had since lodged a police report and that MOHH would strengthen its processes to manage star rate items for development projects. These included using digital tools to verify the authenticity of quotations sampled, expanding the scope and effectiveness of internal audits, and continuing the quarterly staff training on procurement and contract management.