



DEPUTY PRIME MINISTER AND
MINISTER FOR FINANCE
SINGAPORE

Our Ref: B042.003.0001.V4

19 February 2014

Auditor-General

**AUDIT OF THE FINANCIAL ACCOUNTS OF
ALJUNIED-HOUGANG-PUNGGOL EAST TOWN COUNCIL**

1. I refer to the Auditor's Report by M/s Foo Kon Tan Grant Thornton LLP for the Aljunied-Hougang-Punggol East Town Council ("AHPETC") for the financial year ending 31 March 2013 ("FY2012/2013"), and the letter from the Minister for National Development to me in this regard, dated 18 February 2014. I have attached the letter from the Minister for National Development for your reference.
2. The observations in the Auditors' Report raise serious questions about the adequacy of AHPETC's financial and accounting systems, and whether public funds in AHPETC are properly applied.
3. I share the concerns of the Minister for National Development. In exercise of the powers conferred on me by section 4(4) of the Audit Act, I hereby direct you to carry out an audit of the AHPETC's FY2012-13 accounts, records and books according to the terms of reference set out in Annex, employing your powers under the Audit Act.
4. Please submit the report of your findings to me and the Minister for National Development.

A handwritten signature in blue ink, appearing to read 'Tharman Shanmugaratnam'.

Tharman Shanmugaratnam

cc: Minister for National Development

TERMS OF REFERENCE

1. Pursuant to section 5 of the Audit Act, to make such examination as the Auditor-General may consider necessary to ascertain whether, for FY2012-13, all reasonable steps have been taken by AHPETC to:
 - (i) Safeguard the collection and custody of AHPETC's moneys;
 - (ii) Ensure that issues and payments of AHPETC's moneys were made in accordance with proper authority and payments were properly chargeable and are supported by sufficient vouchers or proof of payment; and
 - (iii) Ensure that the provisions of any written law relating to AHPETC's moneys, including but not limited to the Town Councils Act and Town Councils Financial Rules, were in all respects complied with.

2. In addition, to make such examination and evaluation as the Auditor-General may consider necessary to:
 - (i) Investigate the causes of the Disclaimer of Opinion by M/s Foo Kon Tan Grant Thornton LLP in their independent auditor's report for FY2012-13; and
 - (ii) Ascertain the reliability and accuracy of AHPETC's financial management and accounting processes and systems, and to ascertain and understand AHPETC's accounts.

3. In the performance of these functions, the Auditor-General may exercise any of the powers conferred by section 6 of the Audit Act.



MINISTER FOR NATIONAL DEVELOPMENT
SINGAPORE

ND 311/34-10/2012

18 February 2014

Deputy Prime Minister and Minister for Finance,

I refer to the audited financial statements ("the Financial Statements") and independent auditor's report ("the Auditor's Report") of the Aljunied-Hougang-Punggol East Town Council ("AHPETC") for the financial year ended 31 March 2013 ("FY2012-13"). This was received by MND from the AHPETC on 10 February 2014 for submission to Parliament.

2. As required by law, the auditor, M/s Foo Kon Tan Grant Thornton LLP ("the Auditor") has submitted a copy of the audited financial statements and its auditor's report to the Auditor-General on 13 February 2014.

3. AHPETC's Auditor's Report and Financial Statements are cause for serious concern. The Auditor has submitted a disclaimer of opinion on AHPETC's Financial Statements, and issued a qualified opinion on AHPETC's other legal and regulatory requirements, stating that AHPETC has not complied with the provisions of the Town Councils Act and Financial Rules in various respects.

4. AHPETC has responded to the Auditor's Report to say that the issues arise primarily from the time of handover of the TC in 2011.

5. The Auditor's Report and AHPETC's response raise concern. This is because several serious issues which the Auditor has raised relate to AHPETC's actions in 2012 and 2013, well after the handover in 2011. The explanation given by AHPETC does not deal with these concerns raised by the Auditor, which include the following:


- (a) The TC did not disclose full details of fees paid to a Related Party, FM Solutions and Services Pte Ltd, to the Auditor. All TCs are required to disclose these details.
- (b) AHPETC was required by law to transfer \$12.46 million in conservancy and service charges ("S&CC") into the bank account of its sinking funds. It failed to comply with this. For the whole of FY2012-13, AHPETC did not transfer any amount of S&CC to its sinking funds.

- (c) AHPETC has said that the breach referred to in sub-paragraph (b) above has been rectified. However, AHPETC did not make available to the Auditor its latest management accounts and records of minutes subsequent to the end of FY2012-13. As a result, the Auditor was unable to ascertain whether AHPETC's Financial Statements properly reflected adjustments or disclosures needed in light of such subsequent events.
- (d) In addition to these 3 items, the Auditor has identified various other matters as the basis for its disclaimer of opinion. These include items in AHPETC's Financial Statements, the validity and accuracy of which the Auditor was unable to determine and/or for which there were unexplained differences. The amounts in total exceed \$20 million.

6. The observations in the Auditor's Report raise serious questions about the reliability and accuracy of AHPETC's financial and accounting systems. The Auditor has raised several more issues of pressing concern this year, compared with the previous year. This suggests a deterioration in the position. As guardians of public funds, it is incumbent on all Town Councils to keep proper accounts and records of their transactions and affairs, and ensure that adequate control is maintained over their assets.

7. In light of this, I would invite you to consider exercising your power under section 4(4) of the Audit Act, to direct the Auditor-General to conduct an audit of AHPETC's FY2012-13 accounts, with the terms of reference as set out in the Annex.

8. I also enclose a copy of the Financial Statements and the Auditor's Report for your reference.


KHAW BOON WAN

TERMS OF REFERENCE

1. Pursuant to section 5 of the Audit Act, to make such examination as the Auditor-General may consider necessary to ascertain whether, for FY2012-13, all reasonable steps have been taken by AHPETC to:
 - (i) Safeguard the collection and custody of AHPETC's moneys;
 - (ii) Ensure that issues and payments of AHPETC's moneys were made in accordance with proper authority and payments were properly chargeable and are supported by sufficient vouchers or proof of payment; and
 - (iii) Ensure that the provisions of any written law relating to AHPETC's moneys, including but not limited to the Town Councils Act and Town Councils Financial Rules, were in all respects complied with.
2. In addition, to make such examination and evaluation as the Auditor-General may consider necessary to:
 - (i) Investigate the causes of the Disclaimer of Opinion by M/s Foo Kon Tan Grant Thornton LLP in their independent auditor's report for FY2012-13; and
 - (ii) Ascertain the reliability and accuracy of AHPETC's financial management and accounting processes and systems, and to ascertain and understand AHPETC's accounts.
3. In the performance of these functions, the Auditor-General may exercise any of the powers conferred by section 6 of the Audit Act.