

Independent auditor's report to Aljunied-Hougang-Punggol East Town Council

(Established under Town Councils Act, Cap. 329A)

Report on the financial statements

We were engaged to audit the accompanying financial statements of Aljunied-Hougang-Punggol East Town Council ("the Town Council"), which comprise the statement of financial position as at 31 March 2013, the income and expenditure statement, statement of comprehensive income, statement of changes in funds and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Town Councils Act, Cap. 329A ("the Act") and Singapore Financial Reporting Standards and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition; and transactions are properly authorized and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on conducting our audit in accordance with the provisions of the Act and the Singapore Standards on Auditing. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

(1) Opening Balances

As we were unable to obtain sufficient, appropriate audit evidence to provide a basis for an audit opinion on the financial statements of Aljunied-Hougang Town Council for the financial year ended 31 March 2012 as stated in our independent auditor's report dated 19 November 2012, we were also unable to determine if the opening balances of the Town Council, and the comparatives in the current year's financial statements which were derived from the financial statements for financial year ended 31 March 2012 are fairly stated. Any adjustment to opening balances would have consequential effects on the current year or prior year's figures.

(2) Receivables from Various Stakeholders

(a) Citizens Consultative Committee

As at 31 March 2013, included in other receivables and deposits were amounts of \$1,177,859 due from the Citizens Consultative Committee. Out of these receivables, \$1,118,574 relates to carried forward balances in respect of grants due for Town Improvement projects that were in the accounts handed over by the previous managing agent. During the current financial year, the Town Council received \$520,926 from the Citizens Consultative Committee. However, these receipts could not be identified and matched to the receivable balance of \$1,118,574. Accordingly, the Town Council recorded this amount received of \$520,926 in other payables as at 31 March 2013. We are unable to determine the appropriateness of the Town Council's accounting treatment of this receipt of \$520,926 from the Citizens Consultative Committee.

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(b) Inland Revenue Authority of Singapore ("IRAS")

As at 31 March 2013, included in other receivables and deposits were amounts due from IRAS of \$110,735 that were in the accounts handed over by the previous managing agent. Management does not have any supporting documents to substantiate these receivables. Accordingly, we are not able to ascertain if these receivables are appropriately stated.

(c) Sundry Debtors

As at 31 March 2013, included in Sundry Debtors of \$3,333,628 (as disclosed in Note 11) were amounts due from the Housing and Development Board of \$2,135,069. Of this amount, \$1,502,534 was received subsequently.

For the remaining balance of \$1,831,094 recorded in Sundry Debtors, we were unable to carry out audit procedures to determine the validity and collectability of the receivables.

(3) Conservancy and Service Receivables

The Town Council provides for impairment losses for outstanding conservancy and service receivables only when the receivables are more than seven years in arrears. Such policy is drawn up by the Town Council as it has considered that the conservancy and service receivables will be recoverable as long as the ownership of the flats remained unchanged, and that there were no adverse circumstances indicating potential non-collectability of the outstanding dues.

As at 31 March 2013, the conservancy and service receivables totaled \$2,587,937 and the allowance for impairment losses amounted to \$589,656. Management was unable to provide an aging analysis or information on the credit profile of the individual units. Accordingly, we are unable to ascertain the credit risk characteristics of the conservancy and service receivables, and therefore not able to determine if management's impairment assessment is appropriate.

As a result of the above, we are unable to determine the collectability of the conservancy and service receivables as at 31 March 2013. Consequently, we are also unable to ascertain the validity and accuracy of the allowance for impairment losses of \$ 589,656 as at 31 March 2013. In addition we are unable to determine the accuracy of the ageing analysis of the conservancy and service receivables as disclosed in Note 10 to the financial statements.

(4) Lift Repair Expenses

Included in the lift repair expenses of \$1,630,298, were expenses relating to the previous financial year. As a result, the current year's expenditure has been overstated accordingly. Management did not ascertain the quantum of prior year's expenses that was included in the current year's financial statements. Accordingly, we are unable to determine the accuracy of the lift repair expenses of \$1,630,298 recorded in the year under audit.

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(5) Lift Upgrading Program ("LUP")

Included in the lift upgrading program of \$18,612,857, under sinking fund expenditure were expenses relating to the previous financial year. As a result, the current year's LUP expenditure has been overstated accordingly. Management did not ascertain the quantum of prior year's expenses that was included in the current year's financial statements. Accordingly, we are unable to determine the accuracy of the lift upgrading expenses of \$18,612,857 recorded in the year under audit.

(6) Creditors and Accrued Expenses

(a) For non-routine works, the Town Council records the accrued liabilities for the services rendered by the vendors only when the work orders are issued by the Town Council's project managers. The Town Council does not have any Standard Operating Procedures to enable timely recording of liabilities. As a result, we are unable to ascertain the completeness of the liabilities as at 31 March 2013.

(b) As at 31 March 2013, included in accrued expenses was an amount of \$338,379 pertaining to "Accrual without work orders" brought forward from Aljunied Town Council in August 2011. The Town Council was unable to provide details of these amounts. Accordingly, we are unable to ascertain the validity of these amounts.

(c) As at 31 March 2013, included in other payables was an amount of \$308,715 relating to temporary unidentified receipts from residents and Housing and Development Board. The Town Council was unable to provide details of this amount. Accordingly, we are unable to ascertain the validity of these amounts.

(7) Conservancy and Service Fees Received in Advance

As at 31 March 2013, there were advance receipts from residents in respect of conservancy and service charges amounting to \$507,809. We are unable to determine the validity and accuracy of this amount as the Town Council was unable to provide details of this amount.

(8) Income Taxes

As at 31 March 2013, provision for income tax totaled \$756,383.

During the current financial year, the Town Council paid \$77,407 in respect of the tax payable by Hougang Town Council for the year of assessment 2012. At the time of handover of operations on 26 May 2011, there was no provision for tax payable made.

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(8) Income Taxes (Cont'd)

In addition, during the current year, \$382,688 and \$429,271 were paid by Aljunied Town Council for the years of assessment 2011 and 2012 respectively. The provision for tax recorded in the accounting records for years of assessment 2011 and 2012 were \$474,669 and \$445,425 respectively.

Due to the matters mentioned above, we are unable to determine the validity and accuracy of tax provisions totaling \$756,383 as at 31 March 2013.

(9) Goods and Services Taxes ("GST")

There were unexplained differences amounting to \$ 518,707 between the GST balances recorded in the Town Council's accounting records and the GST returns submitted to the Comptroller of GST. Accordingly, we were unable to determine the validity and accuracy of the GST payable of \$ 518,707 as at 31 March 2013.

(10) Cash and Bank Balances

Out of the \$67,589 unexplained difference noted during the March 2012 bank reconciliation, \$ 63,458 of remained un-reconciled. The balance of \$63,458 has been included in other payables as at 31 March 2013.

(11) Transfer to Sinking Funds

The Town Council did not comply with Section 4(2B) (a) of Town Councils Financial Rules. The financial rule states that within one month from the end of each quarter of each financial year, the Town Council shall transfer to the bank account of the sinking funds established for the residential and commercial property within the Town, the amount of conservancy and service charges, grants-in-aid and interest that are payable to the sinking funds and that were received by the Town Council.

During the current financial year, the Town Council had not transferred any amounts of conservancy and service charges to the bank account of the sinking funds.

(12) Related Party Transactions

The Town Council had not made available to us details of the project management service fees paid to a related party. Accordingly, we are unable to determine the completeness of the related party disclosures as disclosed in Note 22 of the financial statements.

(13) Subsequent Events Review

The Town Council had not made available to us its latest management accounts and records of minutes subsequent to the financial year end. Therefore, we were unable to carry out audit procedures to obtain sufficient appropriate audit evidence as to whether events occurring between the date of the financial statements and the date of the auditor's report that require adjustment of, or disclosure in, the financial statements are properly reflected in this set of financial statements in accordance with Singapore Financial Reporting Standards.

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Disclaimer of Opinion

Because of the significance of the matter described in the basis of disclaimer paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the Statement of Financial Position of the Town Council as at 31 March 2013 and the income and expenditure statement, statement of comprehensive income, statement of changes in funds and statement of cash flows for the year then ended.

Other Matter

The independent auditor's report dated 19 November 2012 on the financial statements of the Town Council for the financial year ended 31 March 2012 of which we were auditors expressed a disclaimer of audit opinion. The matters included in the auditor's report have a consequential material impact on the opening balances as stated in item 1 in the Basis for Disclaimer of Opinion paragraph stated above.

Report on Other Legal and Regulatory Requirements

Management's responsibility for compliance with legal and regulatory requirements

Management is responsible for ensuring that the receipts, expenditure, investment of moneys and the acquisition and disposal of assets, are in accordance with the provisions of the Act. This responsibility includes implementing accounting and internal controls as management determines are necessary to enable compliance with the provisions of the Act.

Auditor's responsibility

Our responsibility is to express an opinion on management's compliance based on our audit of the financial statements. We conducted our audit in accordance with Singapore Standards on Auditing. We planned and performed the compliance audit to obtain reasonable assurance about whether the receipts, expenditure, investment of moneys and the acquisition and disposal of assets are in accordance with the provisions of the Act.

Our compliance audit includes obtaining an understanding of the internal control relevant to the receipts, expenditure, investment of moneys and the acquisition and disposal of assets; and assessing the risks of material misstatement of the financial statements from non-compliance, if any, but not for the purpose of expressing an opinion on the effectiveness of the Town Council's internal control. Because of the inherent limitations in any accounting and internal control system, non-compliances may nevertheless occur and not be detected.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion on management's compliance.

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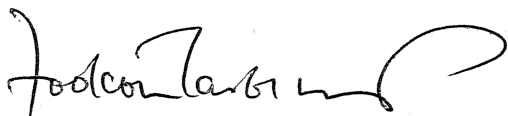
Basis for Qualified Opinion

Because of the matters mentioned in the Basis for Disclaimer of Opinion paragraph under the Report on the Financial Statements section above, the Town Council has not complied with the provisions of the Town Councils Act and the Town Councils Financial Rules.

Qualified Opinion

In our opinion, except for the matters described in the Basis for Disclaimer of Opinion paragraph under the Report on the Financial Statements section above:

- (a) the receipts, expenditure, investment of moneys and the acquisition and disposal of assets by the Town Council during the financial year are, in all material respects, in accordance with the provisions of the Act; and
- (b) proper accounting and other records have been kept, including records of all assets of the Town Council, whether purchased, donated or otherwise.



Foo Kon Tan Grant Thornton LLP
Public Accountants and
Chartered Accountants

Singapore, 4 February 2014