

Independent auditor's report to Aljunied-Hougang 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 Town Council ("the Town Council"), which comprise the statement of financial position as at 31 March 2012, 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 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. Following the General Elections in May 2011, the Ministry of National Development (MND) issued an action plan dated 13 May 2011, to be followed by Town Councils for the Handover of Properties. Under the Action Plan, reconstituted Town Councils were required to prepare financial statements for the period 1 April 2011 to 31 July 2011 and Town Councils which were dissolved were to prepare financial statements for the period 1 April 2011 to 26 May 2011. Aljunied Town Council, a reconstituted Town Council, and Hougang Town Council, a dissolved Town Council, prepared financial statements in accordance with the MND directive.

The accompanying financial statements include the Income and Expenditure Statement, Sinking Funds, Town Improvement and Project Fund and Government Grants whose figures include those stated in the Statement of Income and Expenditure and Receipts and Payments for the period 1 April 2011 to 31 July 2011 of Aljunied Town Council. This statement was audited by another firm of auditors and we were not allowed access to the auditor's audit documentation. We were also not able to obtain the supporting accounting documents from the previous managing agent of the Aljunied Town Council prior to the reconstitution. As a result, we were unable to determine whether the income and expenses and receipts and payments for the period 1 April 2011 to 31 July 2011 for Aljunied Town Council that are included in the accompanying financial statements, are fairly stated.

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2. According to the Town Council's accounting policy, expenditure not relating specifically to any property type managed, for example, administrative overheads, tree planting and pruning are allocated to the various property types using equivalent dwelling units. However, in Note 3 to the Financial Statements, the \$32,079,316 of operating expenditure was wholly allocated between residential property, commercial property and carpark without first identifying the expenditure specifically relating to the rightful property type.
3. Included in other receivables and deposits of \$4,030,571 are amounts of \$1,118,574 and \$99,026 due from the Citizens Consultative Committee in respect of Grants due for Town Improvement projects and the Inland Revenue Authority of Singapore respectively, 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 were not able to obtain supporting documents to verify the validity and collectibility of these receivables.
4. As part of the monthly bank reconciliation for the month of March 2012 performed by the Management on the Town Council's bank accounts, a sum of \$67,589 remained irreconcilable. In this instance, the bank balance stated in the bank statement was higher than that recorded in the Town Council's books of accounts. Management is still in the process of identifying the nature of this reconciling item. Accordingly, we were unable to ascertain the accuracy of the cash and bank balances.

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 Financial Statements.

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.

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Auditor's responsibility (Cont'd)

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

Opinion

In our opinion, except for those matters referred to in the Basis for Disclaimer of Opinion paragraph above, for the period 1 August 2011 to 31 March 2012

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



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Public Accountants and
Certified Public Accountants

Singapore, 19 November 2012