
Pasir Ris- Punggol Town Council

***Monthly Progress Report
for the position as of
15 April 2016***

30 April 2016



A. Introduction / Background

1. On 27 November 2015, the Singapore Court of Appeal (“CA”) issued a judgment (the “**Judgment**”) which ordered Aljunied-Hougang-Punggol East Town Council, as it then was (“AHPETC”), amongst others, to (collectively, the “**Orders**”):
 - (1) Appoint accountants to:
 - (a) assist in identifying the outstanding non-compliances with s 35(c) of the Town Councils Act (Cap. 329A) (“TCA”); and
 - (b) advise on the steps that must be taken to remedy those outstanding non-compliances.¹
 - (2) Require the accountants to produce monthly progress reports until the accountants are reasonably satisfied that AHPETC is fully compliant with s 35(c) of the TCA.²
 - (3) Ensure that the monthly progress reports, which are to be submitted to the Housing Development Board (“HDB”), which in turn may make these publicly available on the first day of every month, provide sufficient details of:
 - (a) the outstanding non-compliances with s 35(c) of the TCA, and
 - (b) the steps that AHPETC is taking to remedy those outstanding non-compliances.³
 - (4) Without prejudice to the generality of (1) to (3) above, the terms of reference of the accountants who are appointed should extend to establishing whether any past payments made by AHPETC were improper and ought therefore to be recovered.⁴
2. Section 35(c) of the TCA, in turn, provides that “*A Town Council shall ... do all things necessary to ensure that all payments out of its moneys are correctly made and properly authorised and that adequate control is maintained over the assets of, or in custody of, the Town Council and over the expenditure incurred by the Town Council.*”

¹ Judgment at paragraphs 119(b)(i) and 131(C)(i).

² Judgment at paragraphs 119(b)(ii) and 131(C)(ii).

³ Judgment at paragraphs 119(b)(iii) and 131(C)(iii).

⁴ Judgment at paragraphs 119(c) and 131(d).

3. We understand from the facts set out in the Judgment that the proceedings in the Judgment were commenced by the Ministry of National Development (“**MND**”) against AHPETC on 20 March 2015 (and HDB subsequently joined as a party to MND’s application), while the constituency of Punggol East (“**PE**”) was still part of AHPETC. Following the General Election on 11 September 2015, PE became part of Pasir Ris-Punggol Town Council (“**PRPTC**”), and AHPETC was reconstituted as Aljunied-Hougang Town Council (“**AHTC**”). We understand that by virtue of the Town Councils (Declaration of Towns) Order 2015, all property, rights and liabilities of AHPETC (including the liabilities and obligations of AHPETC under the Judgment) that related to PE, are, as from 1 December 2015, the property, rights and liabilities of PRPTC.
4. Accordingly, pursuant to the Orders in the Judgment and in relation to the constituency of PE, PRPTC has appointed PricewaterhouseCoopers LLP (“**PwC**”) as accountants to perform the tasks set out in paragraph 1 above. This report is prepared pursuant to the Orders set out in paragraphs 1(2) and 1(3) above. A separate report will be prepared in respect of the Order set out in paragraph 1(4).

B. There are no outstanding non-compliances with Section 35(c) of the TCA referred to in the Judgment by PRPTC

5. Paragraphs 1(1) to (3) above set out the work which the CA has ordered to be performed by the appointed accountants in relation to the non-compliances with s 35(c) of the TCA. The purpose behind these orders is to identify the outstanding non-compliances and to advise on steps to remedy such non-compliances, as well as to produce monthly progress reports to HDB on the same.
6. The circumstances which led to these work requirements in relation to the non-compliances with s 35(c) of the TCA being imposed by the CA in the Judgment are as follows:

- (1) In respect of Financial Year (“**FY**”) 2012/2013, AHPETC’s statutory auditors had issued a Disclaimer of Opinion in their Auditor’s Report for AHPETC’s financial statements.⁵

⁵ Essentially, the statutory auditors stated that they were unable to express an opinion as to the validity of certain receivables, expenses and payments; the completeness of AHPETC’s related party disclosures; and the accuracy of the cash and bank balances in the bank accounts. They also noted AHPETC’s failure to comply with the requirement to make quarterly sinking fund transfers (see the Judgment at paragraph 12).

- (2) As the Auditor's Report raised serious questions about the adequacy of AHPETC's financial and accounting systems and whether public funds in AHPETC were properly applied⁶, the Minister for Finance directed the Auditor-General's Office ("AGO") to carry out an audit of AHPETC's FY 2012/2013 accounts, books and records (the "Audit"). This Audit found a number of major non-compliances and lapses with AHPETC, including non-compliances with s 35(c) of the TCA.⁷
- (3) The findings by the AGO in the Audit on the non-compliances with s 35(c) of the TCA were all in relation to AHPETC and pertained to the time period where PE was part of AHPETC.
- (4) Following the Audit, the MND / HDB made the Court application for, amongst others, the appointment of accountants, which gave rise to the Judgment.
7. With regard to such non-compliances identified by the AGO, the CA was of the view that to determine the appropriate orders it should make to secure AHPETC's compliance, it was necessary to "*focus sharply on what AHPETC is obliged to do and has not done*".⁸ Consequently, the Judgment provided for the appointment of the accountants and the requirements set out above in relation to the preparation of the monthly progress reports.
8. The non-compliances with s 35(c) of the TCA which led to the Audit and eventually to the Judgment were with reference to AHPETC's systems and processes. At the time when such non-compliances were identified, PE was part of AHPETC and was managed and operated under AHPETC's systems and processes. The "non-compliances" with s 35(c) of the TCA are "non-compliances" of AHPETC's systems and processes with s 35(c) of the TCA.
9. The transfer of the property, rights and liabilities of PE to PRPTC took place on 1 December 2015, subsequent to the issuance of the Judgment on 27 November 2015. Since 1 December 2015, PE has adopted PRPTC's systems and processes. No non-compliances, whether with s 35(c) of the TCA or otherwise, were identified by the AGO or referred to by the Judgment for the period after 1 December 2015 in relation to PRPTC's systems or processes.

⁶ See AGO's report on the Audit of AHPETC dated 6 February 2015 at Annex A – Minister's Directive on Audit of the Financial Accounts of AHPETC.

⁷ See AGO's report on the Audit of AHPETC dated 6 February 2015.

⁸ Judgment at paragraph 98.

10. Accordingly, there are no outstanding non-compliances with s 35(c) of the TCA identified in the Audit and referred to in the Judgment by PRPTC in relation to PE.
11. In addition, as PRPTC's financial statements for FY 2012/2013 to present were signed off by its statutory auditors without any qualification, the Minister of Finance did not order any special audit to be carried out by the AGO in relation to PRPTC's financial statements.
12. Given the above, and in light of present circumstances, we would recommend that the monthly progress reports for PRPTC in relation to PE be dispensed with.
13. For the avoidance of doubt, we do not address in this report the outstanding non-compliances with s 35(c) of the TCA by AHPETC (now AHTC).

C. Information and Documents needed from AHTC

14. On 1 December 2015, the operations of PE were transferred to PRPTC. Shortly before and/or following this transfer, we understand that the following were done for the purposes of the handover of PE:
 - (1) On 27 November 2015, AHTC transferred S\$10 million to PRPTC. We understand this was an interim transfer of the sinking fund attributable to PE. AHTC has not indicated how much more of the sinking fund would be transferred, and by when.
 - (2) On 30 November 2015, AHTC provided: (a) a list of PE residents and their respective outstanding balances for C&S as at 30 November 2015; and (b) relevant outstanding contracts relating to PE that were novated to PRPTC as required by the TCA.
 - (3) On 4 December 2015, AHTC provided a Statement of Transferable Surpluses ("**STS**")⁹ ¹⁰ as at 24 August 2015 to PRPTC.

⁹ TCFR 4A(2) states that the Town Council shall, within 90 days after the issue of a writ of election, prepare and cause to be audited a full and particular Statement of Transferable Surpluses showing the excess of revenue over expenditure in any fund (other than a sinking fund) of the Town Council.

¹⁰ It was stated, in the STS provided by AHTC, the auditors were unable to obtain sufficient audit evidence to determine the validity and valuation of the accumulated deficit as at 31 March 2015, and they accordingly do not express an opinion on whether the STS represents a true and fair view of the net surpluses.

(4) On 31 December 2015, AHTC provided an updated version of the STS¹¹ to PRPTC.

15. We understand that in the coming months, further apportionments and transfers in relation to the share of assets and liabilities to be transferred to PE will take place.

16. In our view, AHPETC's non-compliances with s 35(c) of the TCA identified by the AGO in the Audit and referred to by the CA in the Judgment would be relevant when considering whether, and if so, how such non-compliances might affect the accuracy and/or propriety of PE's assets and liabilities which have, or are to be, apportioned and transferred from AHTC to PRPTC. For instance, and without limiting ourselves:

(1) AHPETC's lapses in management of sinking funds may affect the portion of sinking fund (in relation to PE) to be transferred to PRPTC;

(2) AHPETC's lapses in the management of arrears of conservancy and service charges ("C&S") may affect the accuracy of such balances and details (in relation to PE) handed over to PRPTC; and

(3) Inadequacies in AHPETC's accounting systems may affect the account and opening balances (in relation to PE) to be transferred to PRPTC.

17. In order to perform the review and work set out in paragraph 1(4) above, we would need further documents and information from AHTC. We also need further documents and information from AHTC to ascertain the accuracy and/or propriety of PE's assets and liabilities which have, or are, to be apportioned and transferred from AHTC to PRPTC.

18. We understand that PRPTC has made various requests of AHTC for the documents and information required for our work as appointed accountants. We also understand that the current status of such document and information request to be, amongst others, as follows:

¹¹ It was also stated, in the updated STS provided by AHTC, the auditors were unable to obtain sufficient audit evidence to determine the validity and valuation of the accumulated deficit as at 31 March 2015, and they accordingly do not express an opinion on whether the STS represents a true and fair view of the net surpluses.

- (1) Since 12 February 2016, PRPTC has been requesting a meeting with AHTC to address the transfer of assets and liabilities in relation to PE. As of the date of this report, AHTC has not confirmed a date for this meeting;
 - (2) PRPTC has followed up on their requests to AHTC on 23 February 2016, 9 March 2016 and 5 April 2016, but did not receive any response from AHTC; and
 - (3) On 15 April 2016, PRPTC wrote to AHTC to emphasise the urgency of the matter and requested AHTC to provide PRPTC/PwC and/or give PwC access to the necessary documents and information required to perform their work as appointed accountants (and a list of such required documents and information was set out in Annex A to the said letter). As of the date of this report, such documents and information and/or access to such documents and information have not been given by AHTC.
19. Until the necessary documents and information and/or access to such documents and information have been given to us, we are unable to perform the review and work set out in paragraph 1(4) above.
20. Once we are in receipt of the necessary documents and information, we will, amongst others, review them to determine if any past payments made by AHPETC were improper and ought therefore to be recovered, pursuant to paragraphs 119(c) and 131(d) of the Judgment (as also set out in paragraph 1(4) above).

D. Limitations and Disclaimers

21. This report is only for the purposes set out in the Judgment and for our appointment by PRPTC as accountants pursuant to the Orders in the Judgment. This report, even if published, should not be relied upon and/or used by any other person and/or for any other purpose. For the avoidance of doubt, any such reliance and/or use will be at the person's own risk, and PwC will not assume and/or accept any responsibility or liability to any such person.
22. Our work performed did not constitute an examination or a review in accordance with generally accepted auditing standards or attestation standards, nor are they designed to and are not likely to reveal fraud or misrepresentation. Accordingly, we provide no audit opinion, attestation or other form of assurance with respect to our work or the information upon which our work was

based. We did not audit or otherwise verify the information supplied to us in connection with this report, from whatever source, except as may be specified in this report. We do not accept responsibility for not detecting fraud or misrepresentation by the management or any other person.

23. Our work was limited to the specific procedures and analysis described herein and was based only on the information made available up to the date of this report. Accordingly, changes in circumstances after this date could affect the findings outlined in this report and we reserve the right to amend or add to this report.
24. Our work to date was limited to interviewing management of PRPTC and reviewing information made available up to the date of this report. Accordingly, changes in circumstances after this date could affect the findings outlined in this report and we reserve the right to amend this report or to reflect such changes, where appropriate, based on factual information that comes to our attention after this date.
25. Our work does not include the provision of legal advice/opinion and PwC makes no representations regarding questions of legal interpretation.