



Aljunied- Hougang Town Council

Report on Progress

KPMG LLP

18 August 2016

This report contains 34 pages



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1 Our engagement

1.1 This report

- 1.1.1 The background and scope of our work is described in the first of our monthly reports on progress (our “Reports”) on 15 April 2016 and carried out in accordance with the Order of the Court in *Attorney-General v Aljunied-Hougang-Punggol East Town Council*¹, Civil Appeal No. 114 of 2015 (the “Proceedings”).
- 1.1.2 Our work has two primary components:
- Identifying all outstanding non-compliance with s35(c) of the Town Councils Act (Cap. 329A) (“TCA”) identified by the Auditor-General’s Office of Singapore (“AGO”) and the statutory auditors for the financial years ended 31 March (“FYE”) 2014 and 2015 (the 17 “Audit Points”, comprising 115 control failures identified by the AGO and the statutory auditors), advising on remediation steps required for such non-compliance, and reporting each month on the progress made; and
 - Identifying any improper payments made between 27 May 2011 and 27 November 2015 (“Improper Payments”) that ought to be recovered and reporting our findings by 31 August 2016.²
- 1.1.3 In our first four Reports, we reported on actions taken to address the Audit Points, the four root causes of those Audit Points and identified further control failures³ (the “Control Failures”).
- 1.1.4 In this fifth Report, we provide an update on the Remediation Plans.⁴

¹ “AHPETC”.

² Or such other date as may be agreed with Aljunied-Hougang Town Council (“AHTC”) with the consent of the Housing Development Board (“HDB”), or as agreed by the Court.

³ We have identified another Control Failure (see Appendix A3 of this Report) since our July 2016 Report, taking the total number to 71.

⁴ The steps that AHTC is taking to remedy Audit Points that are unresolved (the “Unresolved Audit Points”) as at the date of the Report i) because the Remediation Plans have not yet been fully implemented; ii) because the Remediation Plans have been implemented but not yet fully tested by KPMG; or iii) because of identified shortcomings in that they have not yet been remedied.



2 Observations from our review of Remediation Plans

2.1 Summary

- 2.1.1 We considered our recommendations on the steps that must be taken to remedy the Audit Points to be complete, and set out our conclusions in this area of our work, including our remaining recommendations for actions to be taken by AHTC in our July 2016 Report.
- 2.1.2 We have a continuing obligation to report on further progress until all required actions have been taken and in this, our fifth Report, we provide an update on the Remediation Plans being undertaken to address the Audit Points raised by the AGO. This update is presented at Appendices A and B. AHTC has requested that we also report on AHTC's progress in respect of the 71 Control Failures identified by KPMG. This is reported at Appendix C.

2.2 Progress of AHTC's investigation of items in its temporary clearing accounts

- 2.2.1 In our July 2016 Report, we observed that the magnitude of work AHTC must do to bring its operations into compliance with s35(c) of the TCA is significant. One issue (forming only part of the Control Failure described at paragraph B.6.9 of our July 2016 Report) requires the review and clearance of 1,069,365 transactions recorded in 18 temporary clearing accounts.
- 2.2.2 AHTC commenced investigating the items in the 18 temporary clearing accounts in June 2016. The rate of progress has increased since our July 2016 Report; however, AHTC needs to increase the available staff with the requisite expertise so that it could complete investigation prior to the migration of accounting data to AHTC's new accounting system.

Temporary clearing accounts	Number of transactions		
	Identified in our June 2016 Report	Investigated by AHTC as at our July 2016 Report	Investigated by AHTC as at our August 2016 Report ⁵
SC Void Unit (NEA)	935	39	-
SC Void Unit (HDB)	39,815	-	536
Temp clearing	139	8	-
SCC Adj - clearing	9,743	-	-
SC rebate clearing	1,016,268	-	15
TC Clearing - Pasir Ris	7 ⁶	-	-

⁵ The transactions investigated are not presented cumulatively; 599 transactions have been investigated in total.

⁶ Excluding SGD10 million in sinking fund monies transferred to Pasir Ris-Punggol Town Council on 30 November 2015.



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Temporary clearing accounts	Number of transactions		
	Identified in our June 2016 Report	Investigated by AHTC as at our July 2016 Report	Investigated by AHTC as at our August 2016 Report ⁵
Temp clearing account	110	-	-
Sundry debtors	2,313	-	-
SC debtors Ctrl-Dis	2	-	-
SC debtors Ctrl-Other	1	-	-
Sundry creditors	2	-	-
Total	1,069,335	47	551

2.2.3 In addition, our review of past payments includes transactions currently in these accounts, for which approximately 5,800 original journal entries are pending AHTC’s investigation.

2.3 Control Failure in relation to processing of payments using “dummy” vendor code without evidence of verification by process owners

2.3.1 As reported in our July 2016 Report, one of AHTC’s procurement policies allows the use of a “dummy” vendor code (“Supplier (One Time)”), for refunds of tender deposits and for other purposes. We have reviewed all payments using this code and identified a Control Failure in relation to the processing of payments under the “dummy” one-time supplier code. In addition, there were instances where the use of this code was inappropriate. These are described at Appendix A.3 of this Report.



A Appendix: summary of status of the Control Failures

A.1 Summary of status as at July 2016 Report

- A.1.1 In our first five Reports, we reported on Remediation Plans undertaken to address the Audit Points raised by the AGO and identified, among other things, further Control Failures, which, including those identified in this Report, total 71.
- A.1.2 No Audit Points were resolved in the last month. AHTC has taken steps to address certain of the Unresolved Audit Points as described in Appendix B but insufficient to have brought itself into compliance with s35(c) of the TCA in respect of them.
- A.1.3 AHTC has requested that we also report on AHTC's progress in respect of the 71 Control Failures identified by KPMG. This is reported at Appendix C.

A.2 Progress on Remediation Plans

Policies and procedures

- A.2.1 Since our July 2016 Report, AHTC has provided us with a number of policies and procedures.
- A.2.2 On 29 July 2016, AHTC provided a draft *Business Continuity Management Policy*. The policy does not include:
- Business continuity plan;
 - Disaster recovery plan;
 - Crisis management plan;
 - Protocols for incident escalation, investigation and reporting; or
 - Periodic testing procedures.
- A.2.3 AHTC informs us that it targets to complete its risk assessment exercise for the *Business Continuity Management Policy* with the respective heads of department to identify critical areas for documentation by the end of August 2016, and progressively worked on documentation of the above plans and procedures with target completion by the calendar year-end.
- A.2.4 AHTC has also provided the following for our further review:
- draft and revised draft *Whistle-Blower Policy & Procedure* on 29 July 2016 and 17 August 2016 respectively; and
 - *Request of Variation Orders (RVOs) Policy* dated 19 May 2016 on 5 August 2016, and a revised draft on 17 August 2016.

Other steps

- A.2.5 Since our July 2016 Report, AHTC has:



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- Awarded the contract for a new accounting system on 25 July 2016; and
- Commenced follow-up and investigation of long outstanding Accounts Payable;

A.2.6 AHTC has semi-automated the preparation of the S&CC⁷ arrears report. Following the errors reported in our July 2016 Report, AHTC has:

- Engaged its IT vendor to rectify programming errors and include requirements that were previously omitted; and
- Commenced detailed user acceptance testing after the system change.

A.2.7 AHTC made a payment of SGD3,613,983.94 to its Sinking Fund bank accounts on 29 July 2016 in respect of the period April to June 2016. This payment was made within the transfer deadline.⁸

A.3 Further observations from review of Remediation Plans

Use of “dummy” vendor code

A.3.1 As reported in our July 2016 Report, one of AHTC’s procurement policies allows the use of a “dummy” supplier code (“Supplier (One Time)”), for refunds of tender deposits and for other purposes. The table below summarizes the value of transactions using this dummy supplier code since its creation in 2015, totalling SGD271,598.20, of which SGD33,170.00 relates to refunds of tender deposits:

Vendor service description	Number	Amount (SGD)
Accounting Services	2	4,250.00
Alarm/ Security (Disc Lock)	6	449.40
Bank Charges	5	8,942.00
Business Search	7	1,070.00
CCTV Related Purchases/ Services	34	6,366.50
Employee Insurance	2	21,279.10
Lift Inspection	1	1,000.00
Mediation Fees	9	8,613.50
Office Furniture/ Supplies	3	3,803.60
Pest Control	1	766.26

⁷ Service and Conservancy Charges.

⁸ The TCA requires the transfer to be made by the end of the month following each quarter.

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Vendor service description	Number	Amount (SGD)
Refreshments	3	2,681.66
Refund/ Credit Notes	3	(876.35)
System Maintenance/ Development	30	24,570.00
Tax Related Payments	2	536.82
Deposit (Tender)	4	33,170.00
Deposit (Mediation Fee)	2	700.00
Property Management Services	249	223,178.21
Total	363	340,500.70
<i>Void transactions⁹</i>	<i>(156)</i>	<i>(68,902.50)</i>
Net total	207	271,598.20

A.3.2 In our July 2016 Report, we noted that AHTC’s use of the “dummy” vendor code made it “easier for duplicate payments or fictitious payments to be made without being detected.”¹⁰ We subsequently reviewed all of the 207 payments recorded using the “dummy” one-time supplier code totalling SGD271,598.20 for duplicate or fictitious payments and found none. The payments were supported by documentation relating to purchase and receipt of the goods and/or services.

A.3.3 We noted weak accounting procedures and supervision in the following:

- There were 41 instances totalling SGD248,346.07 where the supplier account rather than the “dummy” vendor code should have been used; and
- Seven invoices totalling SGD23,197.40 that were paid without the confirmation of the receipt of the goods and services; AHTC’s controls require process owners to review, stamp and sign-off invoices as evidence of verification for payment.

A.3.4 The Finance Department should not process payments before the process owner has provided evidence that they have validated the expense. Rule 56(3) and (4) of the Town Councils Financial Rules (“TCFR”)¹¹ provides that the accuracy of every detail on the voucher should be certified and that the Head of Department must satisfy himself that, among other things, the services specified have been duly performed, the prices

⁹ These are in relation to property management services.

¹⁰ At paragraph 3.1.8.

¹¹ Rule 56(3) and (4) of the TCFR provides that, “The Head of Department or his authorised representative shall certify as to the accuracy of every detail on the voucher” and that, “It is the responsibility of the Head of Department to satisfy himself that — [...] (a) the services specified have been duly performed; (b) the goods purchased have been properly held or applied for the purpose intended; (c) the prices charged are either according to contracts or approved scales, or fair and reasonable according to current local rates; (d) authority has been obtained as quoted, and the computations and castings have been verified and are arithmetically correct; and (e) the persons named in the vouchers are those entitled to receive payment.”

charged are either according to contracts or approved scales, and computations have been verified and are arithmetically correct.

A.4 Current status of Audit Points

A.4.1 The status of the Audit Points is summarized in the table below:

Appendix section	Audit Points	Status of Audit Points as at 18 August 2016		
		Resolved ¹²	Remedial measures in progress	
			Remedial measures subject to testing ¹³	Subject to further review/recommendations by KPMG ¹⁴
Management of Sinking Fund¹⁵				
B.2	Incorrect computation of required transfers to the Sinking Fund, and/or shortfall or delay in transfer to Sinking Fund bank accounts			✓
	Incorrect use of Sinking Fund monies			✓
Governance of related party transactions				
B.3	Incomplete disclosure of transactions with the Related Parties ¹⁶ in the financial statements			✓
	Waiver of open tenders and competitive quotations for services provided by the Related Parties		✓	

¹² The Audit Point has been remedied such that we are reasonably satisfied that AHTC is compliant with s35(c) of the TCA in this respect.

¹³ Policies and supporting procedures for the Remediation Plans for this Audit Point have been implemented by AHTC. Further comments are subject to the completion of testing of the effectiveness and implementation of the controls.

¹⁴ KPMG is either reviewing information provided by AHTC, is reviewing AHTC's Remediation Plans, or has identified further elements that should be included in the Remediation Plans. Those recommendations which have been accepted by AHTC are included in the Remediation Plans.

¹⁵ Fund established and maintained by Town Councils for improvements, management and maintenance relating to residential and commercial properties in their towns.

¹⁶ FM Solutions and Integrated Services (a sole proprietorship) and FM Solutions & Services Pte. Ltd.

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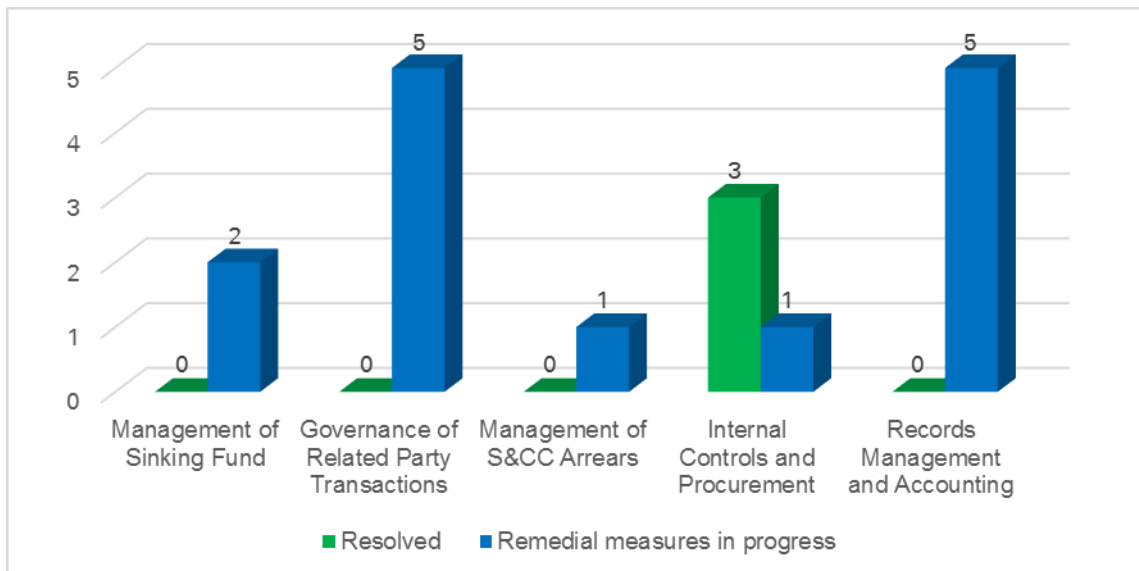
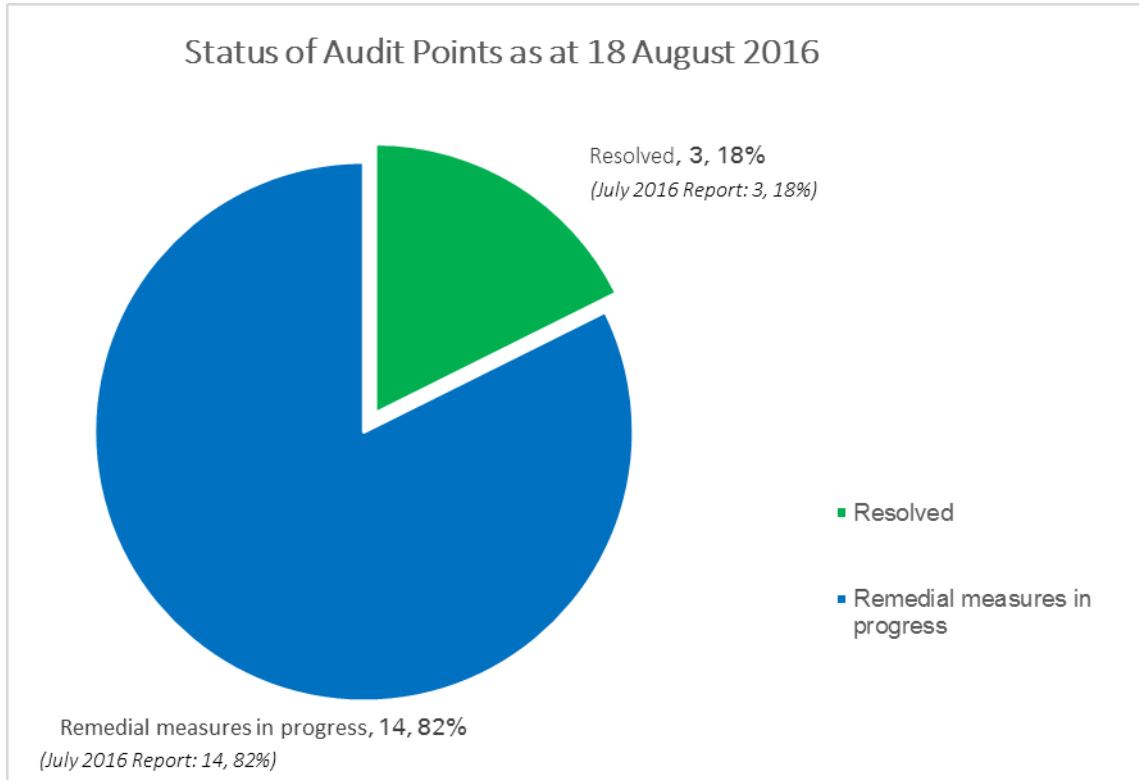
Appendix section	Audit Points	Status of Audit Points as at 18 August 2016		
		Resolved ¹²	Remedial measures in progress	
			Remedial measures subject to testing ¹³	Subject to further review/recommendations by KPMG ¹⁴
	Lack of disclosures, due diligence and assessment of potential conflicts of interest prior to awarding contracts to the Related Parties			✓
	Weaknesses in the approval of payments to the Related Parties		✓	
	Approvals for services obtained and written agreements executed after the awarding and commencement of services provided by the Related Parties		✓	
Management of S&CC arrears				
B.4	Management of S&CC arrears		✓	✓
Internal controls and procurement				
B.5	Weaknesses in the performance of bank reconciliations	✓		
	Weaknesses in controls over cheques received and valuable items and access to the strong room and safe	✓		
	Surprise examinations not conducted in accordance with TCFR	✓		
	Weaknesses in procurement and payment-related processes		✓	

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Appendix section	Audit Points	Status of Audit Points as at 18 August 2016		
		Resolved ¹²	Remedial measures in progress	
			Remedial measures subject to testing ¹³	Subject to further review/recommendations by KPMG ¹⁴
Records management and accounting				
B.6	Weaknesses in the handover process and safeguarding of accounting records			✓
	Untimely recording of lift repairs and upgrading expenses, and absence of guidelines for verification of works and issuance of work orders			✓
	Absence of monitoring of and exercising diligence over collection from/payment to external parties and items in temporary clearing accounts			✓
	Reconciliation of direct and indirect tax			✓
	Opening balances			✓

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A.4.2 The following diagrams summarize the current remediation status of the Audit Points:





A.5 Use of this Report

- A.5.1 Our procedures do not constitute an audit, a review or an assurance engagement made in accordance with Singapore Standards on Auditing, Singapore Standards on Review Engagements or Singapore Standards on Assurance Engagement. We are not qualified to provide legal advice. We are also not responsible or accountable for the management, conduct and operation of AHTC's business and affairs. Our findings and comments are based on our understanding of the law, regulations and guidelines, and should not be construed as constituting legal advice by us.
- A.5.2 Our engagement is directed at compiling information to report on certain matters, and cannot be relied upon to disclose all fraud, defalcations or other irregularities or any non-compliance with relevant laws and regulations other than s35(c) of the TCA. Our Reports are not to be used for any purpose outside the terms of reference as described at paragraph 1.1.1 of our April 2016 Report.
- A.5.3 Our Reports are strictly for the purpose of assisting and updating AHTC and HDB on the matters highlighted. Our Reports should not be regarded as suitable for use for any other purpose or by any other person. Should such a person choose to rely on these Reports they do so at their own risk. KPMG will accordingly accept no responsibility or liability in respect of it to persons other than AHTC or HDB.

B Appendix: status as at August 2016 Report

B.1 Root causes

S/N	Root cause	Remediation Plan	Progress	Status
1	AHTC's governance framework and policy management	Implement a governance and internal control framework.	AHTC has drafted an outline of the governance and internal control framework, which is pending completion of contents.	Remedial measures in progress
2		Implement a policy management process to govern the creation, updating and management of all corporate policies and procedures.	AHTC has drafted a policy management process, which is pending formalization.	Remedial measures in progress
3		Implement policies and supporting procedures in areas where enhancement or development is required.	<p>The following policies and procedures have been drafted:</p> <ul style="list-style-type: none"> - <i>Contract Management Policy;</i> - <i>Accounting Policy – Period End Closing, including Period End Closing Checklist;</i> - Policies and procedures for procurement and payment-related processes¹⁷; - <i>Conflict of Interest Policy;</i> - <i>Related Parties Transactions Policy;</i> - <i>Code of Business Conduct;</i> - <i>Whistle-Blower Policy & Procedure;</i> - <i>AHTC Governance & Internal Control Framework;</i> - <i>Management and Procedural Manual Policy;</i> - <i>Business Continuity</i> 	Remedial measures in progress

¹⁷ These comprise: *SOP for Tenders; SOP for calling of quotations; Delegation of authority; Procurement Policy; Request of Variation Orders (RVOs), Process flow for issuance of work instruction and work order, Process flow for closing of work order and invoicing; and Process flow for work order, accounts payable and payment.*

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S/N	Root cause	Remediation Plan	Progress	Status
			<p><i>Management Policy;</i></p> <ul style="list-style-type: none"> - <i>Back-up and Data Retention Policy;</i> - <i>ERP Change Request Policy;</i> - <i>Information and Data Security Policy;</i> - <i>Request of Variation Orders Policy;</i> - <i>Exit Management Policy;</i> - <i>Policy on Sinking Fund Transfer and Procedures on Sinking Fund Transfer;</i> - <i>Accounts Payable policy;</i> - <i>Fixed Assets Policy;</i> - <i>Cash Handling policy;</i> - <i>Petty Cash Management Policy;</i> - <i>Bank Management Policy;</i> and - <i>S&CC Billing Policy.</i> 	
4		Establish clear guidance on roles and responsibilities for Finance Department staff.	AHTC has included the duties and roles of Finance personnel in its <i>Period End Closing Checklist</i> .	Resolved
5	AHTC's accounting practices	Establish an accounting manual covering accounting policies and supporting procedures in order to institutionalize practices and processes.	<p>The following policies and procedures have been drafted:</p> <ul style="list-style-type: none"> - <i>Accounting Policy – Period End Closing, including Period End Closing Checklist;</i> - <i>Policy on Sinking Fund Transfer and Procedures on Sinking Fund Transfer;</i> - <i>Accounts Payable policy;</i> - <i>Fixed Assets Policy;</i> - <i>Cash Handling policy;</i> - <i>Petty Cash Management Policy;</i> - <i>Bank Management Policy;</i> and 	Remedial measures in progress

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S/N	Root cause	Remediation Plan	Progress	Status
			- <i>S&CC Billing Policy.</i>	
6		Implement controls for accounting procedures, including controls and maintenance of audit trail for re-opening of locked accounting periods and back-posting of accounting entries.	AHTC has implemented an approval form for the re-opening of locked accounting periods. AHTC will amend the user access rights to its Accounting System ¹⁸ to restrict the personnel who can lock and re-open locked accounting periods.	Remedial measures in progress
7		Following completion of KPMG's engagement, engage internal auditors to provide independent assurance that AHTC's risk management, governance and internal control processes are operating effectively.	AHTC has put out a request for quotation for internal auditor to provide independent assurance that AHTC's risk management, governance and internal control processes are operating effectively. The internal auditor will report directly to AHTC's Audit Committee.	Remedial measures in progress
8	AHTC Finance Department's capability and management personnel retention	Strengthen the capabilities of the Finance Department.	AHTC has recruited some qualified accounting and managerial staff. AHTC will engage additional consultants with the requisite expertise to assist with clearing the temporary clearing accounts.	Remedial measures in progress
9	AHTC's Accounting System	Replace the current Accounting System financial modules and incorporate other improvements.	See section A.2.6 of this report. AHTC awarded the contract for the new accounting system on 25 July 2016. AHTC has commenced system study work with the appointed vendor.	Remedial measures in progress
10		Ensure the general ledger control accounts in the Accounting System are appropriately configured so that the balances in the general ledger accounts are derived	AHTC is in the process of reconciling the balances in its sub-ledgers to the general ledger accounts. In addition to performing month end balance sheet substantiation and reconciliation, AHTC will ensure that, once the new Accounting	Remedial measures in progress

¹⁸ Accounting platform used by AHTC to record and account for its transactions.

S/N	Root cause	Remediation Plan	Progress	Status
		from, and match, the corresponding sub-ledgers.	System in place, manual entries cannot be posted directly to general ledger accounts that are linked to sub-ledgers.	
11		Arrange for the provision of detailed transaction reports to provide the information required for AHTC's Finance Department to review and substantiate management and financial reporting.	<p>AHTC is in the process of improving its period end management and financial reporting by including the following in its reporting package:</p> <ul style="list-style-type: none"> - Substantiation schedule for each balance sheet item; and - Present the gazetted budget (pro-rated to the relevant period) alongside profit and loss items. 	Remedial measures in progress

B.2 Management of Sinking Fund

S/N	Audit Point	Remediation Plan	Progress	Status
12	Incorrect computation of required transfers to the Sinking Fund, and/or shortfall or delay in transfer to Sinking Fund bank accounts	Establish a policy and supporting procedures to govern transfers to the Sinking Fund bank accounts.	<p>AHTC is revising the draft <i>Policy on Sinking Fund Transfer and Procedures on Sinking Fund Transfer</i>.</p> <p>AHTC made a payment of SGD3,613,983.94 to its Sinking Fund bank accounts on 29 July 2016 in respect of the period April to June 2016. This payment was made within the transfer deadline.</p>	Remedial measures in progress
13	Sinking Fund bank accounts	Identify and rectify erroneous and/or delayed transfers to the Sinking Fund bank accounts.	Pending AHTC's investigation of variances between AHTC's calculations and KPMG's calculations of Sinking Fund transfers noted during our June 2016 Report.	Remedial measures in progress

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S/N	Audit Point	Remediation Plan	Progress	Status
14		Verify the accuracy of the calculation of Sinking Fund transfers from income sources other than S&CC (e.g. input Goods & Services Tax ("GST") and government grants).	Pending AHTC's investigation of variances between AHTC's calculations and KPMG's calculations of Sinking Fund transfers noted during our June 2016 Report.	Remedial measures in progress
15		Establish standardized documentation and supporting documentation requirements for calculation, review and approval of Sinking Fund transfers.	AHTC is revising the draft <i>Policy on Sinking Fund Transfer and Procedures on Sinking Fund Transfer</i> .	Remedial measures in progress
16	Identify and rectify any erroneous and/or delayed transfers to the Sinking Fund bank accounts	Implement guidelines on the types of expenses for which the Sinking Fund may be used.	Guidelines on the types of expenses for which the Sinking Fund may be used have been implemented.	Resolved
17		Identify and rectify instances where monies in the Sinking Fund bank accounts were incorrectly used.	Pending AHTC's investigation of variances between AHTC's calculations and KPMG's calculations of Sinking Fund transfers noted during our June 2016 Report.	Remedial measures in progress

B.3 Governance of related party transactions

S/N	Audit Point	Remediation Plan	Progress	Status
18	Incomplete disclosure of transactions with the Related Parties in the financial statements	Establish a policy and supporting procedures for related parties and transactions with related parties to ensure that AHTC complies with s35(c) of the TCA and that its financial statements comply with <i>Financial Reporting Standard 24 Related Party Disclosures</i> ("FRS24").	<i>Related Parties Transactions Policy</i> has been established.	Remedial measures subject to testing
19	Waiver of open tenders and competitive quotations for services provided by the Related Parties	Implement policies and procedures on the calling of quotations and tenders.	<i>SOP for calling for quotations</i> and <i>SOP for tenders</i> have been established.	Remedial measures subject to testing

S/N	Audit Point	Remediation Plan	Progress	Status
20	Lack of disclosures, due diligence and assessment of potential conflicts of interest prior to awarding contracts to the Related Parties	Implement policy and procedures to identify and manage conflicts of interest.	<i>Conflict of Interest Policy</i> has been established	Remedial measures subject to testing
21		Implement a <i>Code of Business Conduct</i> .	AHTC is revising its draft <i>Code of Business Conduct</i> .	Remedial measures in progress
22	Weaknesses in the approval of payments to the Related Parties	Implement policy and procedures to govern the approval of payments to related parties.	<i>Related Parties Transactions Policy</i> has been established.	Remedial measures subject to testing
23	Approvals for services obtained and written agreements executed after the awarding and commencement of services provided by the Related Parties	Implement a contract management policy, supported by procedures, to manage the awarding and execution of services provided by external parties.	<i>Contract Management Policy</i> has been established.	Remedial measures subject to testing

B.4 Management of S&CC arrears

S/N	Audit Point	Remediation Plan	Progress	Status
24	Management of S&CC arrears	Configure the Accounting System to generate the S&CC arrears data automatically.	AHTC has semi-automated the preparation of the S&CC arrears report. AHTC is rectifying the errors reported in our July 2016 Report. AHTC has engaged its IT vendor to rectify programming errors and include requirements that were previously omitted, and is in the process of performing detailed user acceptance testing after the system change.	Remedial measures in progress

S/N	Audit Point	Remediation Plan	Progress	Status
25		Perform detailed user acceptance testing of the automated extraction of S&CC arrears data, which includes reconciliation with the accounts receivable sub-ledger.	AHTC has engaged its IT vendor to rectify programming errors and include requirements that were previously omitted. AHTC is in the process of performing detailed user acceptance testing after the system change; and reconciliation with the accounts receivable sub-ledger.	Remedial measures in progress
26		Establish policies and supporting procedures to govern the maintenance of the master data, including bill codes and user access rights to AHTC's Accounting System.	AHTC has provided a draft <i>User Access Rights Policy</i> , which includes a User Access Rights Matrix, for review.	Remedial measures in progress

B.5 Internal controls and procurement

S/N	Audit Point	Remediation Plan	Progress	Status
27	Weaknesses in the performance of bank reconciliations	Perform monthly closing of accounts to facilitate the performance of bank reconciliations.	Monthly closing of accounts has been performed since April 2016.	Resolved
28		Monitor, investigate and address bank reconciling items in a timely manner.	These requirements are included in the <i>Accounting Policy – Period End Closing and Period End Closing Checklist</i> .	
29		Implement a written policy and procedures for bank reconciliations.		
30	Weaknesses in controls over cheques received and valuable items	Implement processes for recording of incoming mail and cheques.	Resolved, as reported in our April 2016 Report.	Resolved



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S/N	Audit Point	Remediation Plan	Progress	Status
31	and access to the strong room and safe	Implement processes for handover and sign-off of incoming cheques from the receptionist to the Finance Department.	Resolved, as reported in our April 2016 Report.	
32	Surprise examinations not conducted in accordance with TCFR	Conduct surprise cash examinations and maintain records of examinations.	Resolved, as reported in our April 2016 Report.	Resolved
33		Establish policy on conduct and responsibility for surprise cash examinations.	Resolved, as reported in our April 2016 Report.	Resolved

S/N	Audit Point	Remediation Plan	Progress	Status
34	Weaknesses in procurement and payment-related processes	Establish policies and supporting procedures to govern procurement and payment-related processes.	<p>AHTC has drafted the following policies and procedures:</p> <ul style="list-style-type: none"> - <i>SOP for Tenders;</i> - <i>SOP for calling of quotations;</i> - <i>Delegation of authority;</i> - <i>Procurement Policy;</i> - <i>Request of Variation Orders (RVOs);</i> - <i>Process flow for issuance of work instruction and work order;</i> - <i>Process flow for closing of work order and invoicing;</i> - <i>Process flow for work order, accounts payable and payment;</i> - <i>Accounts Payable policy; and</i> - <i>Petty Cash Management Policy for payments.</i> <p>AHTC will enhance the use of its system to log work orders (the "Work Order System") to facilitate tracking of budget utilization, monitoring of completeness and timeliness of liabilities' recognition.</p>	Remedial measures in progress

B.6 Records management and accounting

S/N	Audit Point	Remediation Plan	Progress	Status
35	Weaknesses in the handover process and safeguarding of accounting records	Establish policies and supporting procedures for handing and taking-over of duties and records.	AHTC has provided a revised draft <i>Exit Management Policy</i> for review.	Remedial measures in progress

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S/N	Audit Point	Remediation Plan	Progress	Status
36		Establish policies and supporting procedures for business continuity management, supported by a business continuity plan and disaster recovery plan.	<p>AHTC provided us with its draft <i>Whistle-Blower Policy & Procedure</i> and draft <i>Business Continuity Management Policy</i> on 29 July 2016.</p> <p>AHTC targets to complete its risk assessment exercise with the respective heads of department to identify critical areas for documentation by the end of August 2016.</p> <p>Documentation of AHTC's business continuity plan, disaster recovery plan, crisis management plan, escalation protocols and periodic testing procedures are to be progressively worked on with target completion by the calendar year-end.</p>	Remedial measures in progress
37		Establish policies and supporting procedures for data back-up.	AHTC has provided a revised draft <i>Back-up and Data Retention Policy</i> for review.	Remedial measures in progress
38	Untimely recording of lift repairs and upgrading expenses, and absence of guidelines for verification of works and issuance of work orders	Establish an accounting manual covering accounting policies and supporting procedures in order to institutionalize practices and processes.	See S/N 5.	Remedial measures in progress
39		Implement a budget monitoring process.	AHTC's Finance Department has, with effect from April 2016, performed monthly variance analyses on AHTC's budget and actual expenditure for the Operating Funds ¹⁹ .	Resolved

¹⁹ Town Council funds for short-term routine expenditure, e.g. estate cleaning, repairs and maintenance.

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S/N	Audit Point	Remediation Plan	Progress	Status
40	Absence of monitoring of and exercising diligence over collection from/payment to external parties and items in temporary clearing accounts	Implement a reconciliation process between balances in sub-ledgers and general ledger.	Accounting policy and supporting procedures governing reconciliation process between balances in the sub-ledgers and general ledger and balance sheet substantiation have been drafted. AHTC is in the process of performing Balance sheet substantiation.	Remedial measures in progress
41		Clear items in the temporary clearing accounts.	See section 2.2 of this Report. AHTC has commenced investigation and clearing of the temporary clearing accounts. AHTC will engage additional consultants with the requisite expertise to assist with clearing the temporary clearing accounts.	Remedial measures in progress
42	Reconciliation of direct and indirect tax	Completion of the self-review of past GST returns and disclosure of errors to the Inland Revenue Authority of Singapore under the Voluntary Disclosure Programme.	AHTC has commenced the self-review.	Remedial measures in progress
43		Computation of input GST claimed on Sinking Fund expenditure that should be transferred to the Sinking Fund bank account.	AHTC has commenced the computation of the input GST.	Remedial measures in progress
44	Opening balances	Resolve opening balances	AHTC has commenced investigation of the matters raised by its external auditors on the opening balances.	Remedial measures in progress



C Appendix: Control Failures identified by KPMG

S/N	Control Failure	Progress	Status
1	No policy management process to manage the creation, updating and management of policies and procedures.	See Appendix B, S/N 2.	Remedial measures in progress
2	No governance and internal control framework providing a top-down structure for town council governance, compliance, and risk management.	See Appendix B, S/N 1.	Remedial measures in progress
3	Terms of reference for AHTC's committees were recorded in its minutes of meeting, rather than as stand-alone documents. The updated terms of reference documents were approved by the General Manager, rather than the Town Councillors.	The revised terms of reference will be tabled before the Town Council at a date to be determined.	Remedial measures in progress
4	Monthly closing of the accounts was not performed.	See Appendix B, S/N 27.	Resolved
5	Reconciling items in bank reconciliations were not investigated and resolved in a timely fashion.	See Appendix B, S/N 28.	Resolved
6	Balance sheet substantiation was not performed.	See Appendix B, S/N 40.	Remedial measures in progress
7	No governance for re-opening of locked accounting periods and back-posting of accounting entries.	See Appendix B, S/N 6.	Remedial measures in progress
8	No accounting manual to provide, among other things, guidance on accounting treatments, period-end closing procedures, maintenance of the chart of accounts, and accounting-related controls.	See Appendix B, S/N 5.	Remedial measures in progress
9	No written roles and responsibilities for the Finance Department and its staff.	See Appendix B, S/N 4.	Remedial measures in progress



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S/N	Control Failure	Progress	Status
10	Inability to generate certain types of accounting reports (e.g. S&CC receivable listing) and certain detailed reports to substantiate some balances in the general ledger.	See Appendix B, S/N 9, 10 and 11.	Remedial measures in progress
11	Inability to complete certain accounting operations automatically, such as year-end balance rollovers.	See Appendix B, S/N 9 and 10.	Remedial measures in progress
12	No policies or procedures for Sinking Fund transfers.	See Appendix B, S/N 12.	Remedial measures in progress
13	No policies or procedures for the disclosure of related parties and transactions with related parties to ensure compliance with s35(c) of the TCA and FRS24.	See Appendix B, S/N 18.	Remedial measures subject to testing
14	Standard operating procedures on the calling for quotation and tenders do not include the criteria, documentation, justification, and approval process for waivers of competition and quotations.	See Appendix B, S/N 19.	Remedial measures subject to testing
15	<i>Conflicts of Interest</i> policy does not extend to Town Councillors nor is covered in the terms of reference found in the meeting minutes for Town Councillors or AHTC's committees.	See Appendix B, S/N 20.	Remedial measures subject to testing
16	No code of conduct.	See Appendix B, S/N 21.	Remedial measures in progress
17	Management and employees are neither prohibited from seeking or holding external employment nor are they required to declare board positions or directorships in or ownership of other organizations.	See Appendix B, S/N 20.	Remedial measures subject to testing

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S/N	Control Failure	Progress	Status
18	<i>Conflict of Interest</i> policy does not explicitly cover the approval of payments to related parties.	See Appendix B, S/N 20.	Remedial measures subject to testing
19	No written contract management policy.	See Appendix B, S/N 23.	Remedial measures subject to testing
20	Infrequent review by the Finance & Investment Committee of S&CC arrears reports.	Mode and frequency of review by Finance & Investment Committee being determined.	Open
21	No formal user guide for S&CC reporting.	AHTC is preparing a user guide for the S&CC report.	Remedial measures in progress
22	No policies or procedures for bank reconciliations.	See Appendix B, S/N 29.	Resolved
23	Policies and procedures for procurement and payment-related processes do not include vendor due diligence, evaluation and management, and waiver for competition and tender.	See Appendix B, S/N 19 and 34.	Remedial measures in progress
24	No written policies or procedures for the handing-over of duties and records.	See Appendix B, S/N 35.	Remedial measures in progress
25	Project progress has not been tracked for the purpose of liability accruals (although the spreadsheet on which project progress is tracked can be used for such purpose).	See Appendix B, S/N 34.	Pending
26	Temporary clearing accounts not investigated and cleared.	See Appendix B, S/N 41.	Remedial measures in progress
27	Input GST is claimed on work order accruals (when the work is completed but not billed) ahead of the receipt of invoices from suppliers.	Input GST is now reported upon receipt of invoices from suppliers.	Resolved



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S/N	Control Failure	Progress	Status
28	Output GST on S&CC is reported upon billing; therefore, output GST is not reported in AHTC's GST returns on S&CC monies which are received in advance, ahead of billing.	Output GST is now reported upon receipt of S&CC monies.	Resolved
29	No formal IT back-up policy.	See Appendix B, S/N 37.	Remedial measures in progress
30	No business continuity management policy, business continuity plan and disaster recovery plan.	See Appendix B, S/N 36.	Remedial measures in progress
31	Duplicate transfer to a Sinking Fund bank account.	AHTC has transferred the sum of SGD157,141.01 back to its Operating Fund.	Resolved
32	The accounts receivable sub-ledgers as at 31 March 2015 do not match the trial balance for the same period. The numbers, derived from the accounts receivable sub-ledger, used to calculate the S&CC arrears attributable to the Sinking Fund do not match those in the FYE 2015 audited financial statements.	See Appendix B, S/N 40.	Remedial measures in progress
33	Voiding entries pertaining to cancellations of long-outstanding unrepresented cheques have not been posted to the general ledger.	AHTC has cleared the voiding entries.	Resolved
34	No formal budget monitoring process/variance analysis on budget and actual expenditure.	See Appendix B, S/N 39.	Remedial measures subject to testing
35	Liabilities for partially completed work are not captured in the Work Order System.	See Appendix B, S/N 34.	Remedial measures in progress
36	Payment processing can be done directly in the Accounting System without using the Work Order System.	See Appendix B, S/N 34.	Remedial measures in progress

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S/N	Control Failure	Progress	Status
37	Project expenditure exceeded the annual estimates at the "sub-head" level which was not gazetted in the supplementary estimates for FYE 2015, as required by TCFR Rule 10.	See Appendix B, S/N 11 and 40.	Remedial measures in progress
38	Work on lift maintenance services commenced prior to the signing of the articles of agreement.	See Appendix B, S/N 34.	Remedial measures in progress
39	Output GST has not been applied to legal fees billed to debtors.	AHTC now reports the output tax to IRAS and has absorbed the unbilled output GST.	Resolved
40	No information/data security policy.	AHTC has drafted its <i>Information and Data Security Policy</i> .	Remedial measures in progress
41	No policies or procedures governing the maintenance of master data, including the bill codes, in the Accounting System.	See Appendix B, S/N 26.	Remedial measures in progress
42	No detailed user acceptance testing performed prior to the implementation of the automated extraction of S&CC arrears data.	See Appendix B, S/N 25.	Remedial measures in progress
43	The S&CC arrears report for March 2016 did not reconcile with the accounts receivable sub-ledger.	See Appendix B, S/N 25.	Remedial measures in progress
44	The April 2016 monthly collectible data was incorrectly extracted from a May 2016 report, resulting in an understatement of collectibles of SGD11,400.22 in the reporting to the Ministry of National Development ("MND") for April 2016.	See Appendix B, S/N 25.	Remedial measures in progress
45	Changes can be made directly to bill codes without formal approval.	See Appendix B, S/N 26.	Open
46	No audit trail report to facilitate independent review of changes made to master data.	See Appendix B, S/N 26.	Open

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S/N	Control Failure	Progress	Status
47	The user access rights' matrix to the Accounting System does not provide the necessary details to facilitate periodic reviews of the appropriateness of access rights granted to users.	See Appendix B, S/N 26.	Remedial measures in progress
48	Supporting documents (e.g. invoices and job sheets) for payments are not invalidated to prevent resubmission of duplicate payments.	See Appendix B, S/N 34.	Remedial measures in progress
49	Monthly routine lift maintenance services have been performed without Work Orders.	See Appendix B, S/N 34.	Remedial measures in progress
50	Written Instructions and Work Orders have been issued in incorrect FYEs, after work had been undertaken.	See Appendix B, S/N 34.	Open
51	<i>Works Instruction & Work Order Approval Matrix</i> dated 4 March 2016 is not consistent with the <i>Delegation of Authority Matrix</i> .	See Appendix B, S/N 34.	Remedial measures subject to testing
52	Written Instructions approved prior to the establishment of the <i>Works Instruction & Work Order Approval Matrix</i> were not approved in accordance with the <i>Delegation of Authority Matrix</i> .	See Appendix B, S/N 34.	Remedial measures subject to testing
53	Approval of Written Instructions after the completion of work.	See Appendix B, S/N 34.	Remedial measures subject to testing
54	Use of four sundry accounts to record unallocated receipts and payments.	See Appendix B, S/N 41.	Remedial measures in progress

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S/N	Control Failure	Progress	Status
55	Variances between the balances in the general ledger and aggregated balances in the sub-ledgers as at 31 March 2016 for i) trade and other receivables (excluding deposits and prepayments); and ii) trade and other payables (excluding accrued expenses).	See Appendix B, S/N 10 and 40.	Remedial measures in progress
56	Use of Direct Payment Journal Entries ²⁰ to record payments.	See Appendix B, S/N 5 and 10.	Remedial measures in progress
57	Use of and absence of monitoring of a dummy code to record <i>ad hoc</i> payments to one-time suppliers.	See Appendix B, S/N 5. AHTC is revising its draft accounting policy to include guidance and monitoring mechanism on use of one-time supplier code.	Remedial measures in progress
58	Omission of a liability aged more than three years.	See Appendix B, S/N 5, and section A.2.6 of this report.	Remedial measures in progress
59	No follow-up or investigation of 48 payable accounts outstanding for more than three years.	See Appendix B, S/N 5, and section A.2.6 of this report.	Remedial measures in progress
60	Duplicate recording of a payable outstanding for more than three years.	See Appendix B, S/N 5, and section A.2.6 of this report.	Remedial measures in progress
61	<i>Fixed Assets Schedule</i> as at 31 March 2016 does not match the trial balance for the same period.	See Appendix B, S/N 5. AHTC has reconciled the Fixed Asset Schedule as at 30 June 2016 to its trial balance.	Resolved
62	Reconciliations between the <i>Fixed Assets Schedule</i> and <i>IT Assets Listing</i> have not been performed.	See Appendix B, S/N 5.	Open
63	The <i>Fixed Assets Schedule</i> lacks asset details (e.g. tag number and locations) to facilitate verifying that fixed assets are still in the control of AHTC.	AHTC has updated its <i>Fixed Assets Schedule</i> .	Resolved

²⁰ Journal entries used to record payments to third parties bypassing the accounts payable.

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S/N	Control Failure	Progress	Status
64	Duplicate recording of a desktop in the <i>IT Assets Listing</i> .	AHTC has removed the duplicate record.	Resolved
65	The location of three desktops, one CPU and one monitor were not updated correctly in the <i>IT Assets Listing</i> .	AHTC has updated the locations.	Resolved
66	No policies or procedures for fixed assets.	See Appendix B, S/N 5.	Remedial measures in progress
67	The Accounting System to automatically generate the S&CC arrears data was configured incorrectly.	See Appendix B, S/N 24.	Remedial measures in progress
68	Proper program change documentation not maintained for the re-configuration of the Accounting System to automatically generate the S&CC arrears data.	AHTC has drafted its <i>ERP Change Request Policy</i> .	Remedial measures in progress
69	No verification of vacant units against data from HDB and the National Environment Agency.	Underway	Open
70	Variances in the <i>SC Rebate Clearing</i> account between the S&CC rebate credited by AHTC to eligible Singaporeans for the rebate and the amounts reimbursed by MND to AHTC in the <i>SC Rebate Clearing</i> account.	See Appendix B, S/N 41.	Remedial measures in progress
71	Finance Department had processed payments without evidence of verification of payment documentation by the process owners.	See section A.3.2 and A.3.3 of this report.	Remedial measures in progress

D Appendix: glossary of terms

Term	Definition
Accounting System	Accounting platform used by AHTC to record and account for its transactions
AGO	Auditor-General's Office of Singapore
AHPETC	Aljunied-Hougang-Punggol East Town Council
AHTC	Aljunied-Hougang Town Council and, generically, AHPETC and/or AHTC over their combined operations over time
Audit Points	Areas in which AHTC did not comply with s35(c) of the TCA and/or the TCFR as identified in the following reports: <ul style="list-style-type: none"> - Audit Alliance LLP independent audit report dated 29 June 2015 on AHPETC's financial statements for FYE 2014 - Audit Alliance LLP independent audit report dated 24 August 2015 on AHPETC's financial statements for FYE 2015 - The AGO's audit report on AHPETC dated 6 February 2015
Control Failures	The 115 control failures identified by the AGO and the statutory auditors plus 71 further control failures identified by KPMG
Direct Payment Journal Entries	Journal entries used to record payments to third parties bypassing the accounts payable
FRS24	<i>Financial Reporting Standard 24 Related Party Disclosures</i>
FYE	Financial year ended 31 March
GST	Goods & Services Tax
HDB	Housing Development Board
Improper Payments	Improper payments made between 27 May 2011 and 27 November 2015
MND	Ministry of National Development
Report	KPMG's written progress report on the fifteenth day of each month, or the business day immediately preceding it where the fifteenth day is not a business day, commencing on 15 April 2016
Operating Fund	A Town Council fund for short-term routine expenditure, e.g. estate cleaning, repairs and maintenance
Proceedings	<i>Attorney-General v Aljunied-Hougang-Punggol East Town Council</i> , Civil Appeal No. 114 of 2015
Related Parties	FM Solutions and Integrated Services (a sole proprietorship) and FM Solutions & Services Pte. Ltd.
Remediation Plans	The steps that AHTC is taking to remedy the Unresolved Audit Points
RVO	Request for Variation Order



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Term	Definition
S&CC	Service and Conservancy Charges
SGD	Singapore dollar
Sinking Fund	Fund established and maintained by Town Councils for improvements, management and maintenance relating to residential and commercial properties in their towns
TCA	Town Councils Act (Cap. 329A)
TCFR	Town Councils Financial Rules
Unresolved Audit Points	Audit Points that are unresolved as at the date of the Report i) because the Remediation Plans have not yet been fully implemented; ii) because the Remediation Plans have been implemented but not yet fully tested by KPMG; or iii) because of identified shortcomings in that they have not yet been remedied
Work Order System	AHTC's system to log work orders.