

# Auditor-General stepping in shows 'serious concern'

## Experts say Government's move over town council accounts 'sends signal'

By CHARISSA YONG

THE Auditor-General stepping in to audit the accounts of the Workers' Party-run town council is a rare move and shows that the Government is seriously concerned given that public funds are involved, said experts yesterday.

Also, the accounts of the Aljunied-Hougang-Punggol East Town Council (AHPETC) failed to receive a clean bill of health from its auditors for two years in a row.

Corporate governance and audit experts interviewed also endorsed the Auditor-General's Office (AGO) as the best choice to do the audit, citing its reputation as an independent body.

The AGO told The Straits Times it has never been directed to audit a town council. Said its spokesman yesterday: "This is the first time the Auditor-General's Office has been directed to carry out an audit of this nature."

"The AGO would be gathering more information to plan the scope of the audit," she added.

Accounting don Mak Yuen Teen, of the National University of Singapore, said the AGO stepping in "sends a signal that this situation is unusual and of serious concern to the Government".

Agreeing, Associate Professor El'fred Boo, of Nanyang Technological University (NTU), added: "Strong governance, accountability and transparency are crucial as public funds are involved."

On Wednesday, the Auditor-General was directed to audit AHPETC's accounts after the town council's independent auditor identified 13 items in its statements to be issues of concern.

AHPETC chairman Sylvia Lim said the town council welcomed the Government's decision to

have its 2012 accounts audited and assured the AGO of its full cooperation.

The Government's move in sending a "very independent" party like the Auditor-General shows it wants to clear up any perception of wrongdoing, said Singapore Management University associate professor Themin Suwardy.

The AGO is constitutionally independent of the Government, as the Auditor-General is appointed under the Constitution to audit the Government, its agencies and other organisations like statutory boards.

Every year, ministries are audited and the results reported to Parliament. But statutory boards are audited rotationally, covering a selected number each year. The composition changes every year, and the rest are audited by appointed commercial accounting firms.

NUS accounting department head Ho Yew Kee noted that the AGO has the reputation of "doing a good job and bowing to no political pressure".

"Whether it's a minister or permanent secretary, if they get rapped, they get rapped," he said, pointing to the AGO's annual audit of the public sector. For the financial year 2011/2012, the AGO found procurement slip-ups and poor oversight in 10 ministries and 11 statutory boards.

Given its independent status, NUS professor Teo Chee Khiang, a former deputy auditor-general, said it is "best placed to do a fair and objective investigation into any financial controversy".

In the best case scenario, the AGO's involvement will bring closure to this episode by confirming or dispelling earlier allegations, said Prof Boo. The reason is that with the powers granted by law,

the AGO can gain access to information and ask for explanations.

"We would normally expect the AHPETC to cooperate, unless such information or documents are truly not available," he added.

The audit can also identify any potential weaknesses to be corrected, said NTU's accounting head Terence Ng. This can ensure proper accountability "by all parties concerned" in the future.

But unless there is evidence of criminal wrongdoing, not much can be done but to ask the town council to shape up, said Dr Mak.

"It's not like the Government can sack the town council members, as they are elected MPs. Ultimately, the MPs responsible for

the town councils are accountable to the constituents and the people who elected them," he said.

Going forward, Dr Mak argued that town councils should be subject to regular compliance and performance audits, similar to those carried out at other public sector organisations. Such audits would suss out poor governance, lack of compliance with rules, conflicts of interest, procurement irregularities and wastage, he said.

"The Government should consider ensuring the AGO has sufficient resources to do proper audits of all town councils on a rotational basis."

✉ charyong@sph.com.sg

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### What the types of audit opinion mean

AUDITORS can give four types of opinion to signal if financial statements are true or false.

The first, an "unqualified opinion", means that auditors have no issue with the financial statements and can say that they are true and fair.

An "adverse opinion" lies at the other end of the spectrum.

It is the most serious opinion that auditors give to indicate that the misstatements in the financial report are severe.

A "qualified opinion" lies in-between. It occurs when information that supports the financial report is missing or withheld. In this scenario, the auditor can neither verify nor disprove the financial report.

There are two general levels of qualified opinion. For a low-level qualified opinion, the missing information is significant but not pervasive.

This usually means that auditors do not have access to one or two items, but find the

rest of the financial statements acceptable.

But the more serious qualified opinion is a "disclaimer of opinion". That is what independent auditors gave the Aljunied-Hougang-Punggol East Town Council for the 2011/2012 and 2012/2013 financial years.

A disclaimer indicates that there was a lack of proper records and procedures in place.

Consequently, the auditor is unable to obtain the necessary evidence to certify the financial statements as either accurate or inaccurate.

Experts say that this waves a red flag, but it does not necessarily mean that the numbers are wrong.

Rather, it says that something could be wrong with the accounts, whether due to wrongdoing, slipshod book-keeping or lost documents.

CHARISSA YONG