

Opinion on Receipts, Expenditure, Investment of Moneys and the Acquisition and Disposal of Assets by Statutory Boards

This Audit Guidance Statement was approved by the Council of the Institute of Singapore Chartered Accountants (formerly known as Institute of Certified Public Accountants of Singapore) in January 2012.

This Statement is effective for audits of statutory boards with financial year ending on or after 31 March 2012. Earlier application of this Statement is encouraged.

The principles and guidance contained in this Statement are consistent with Singapore Standards on Auditing (SSAs) and should be read in conjunction with SSAs.

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OPINION ON RECEIPTS, EXPENDITURE, INVESTMENT OF MONEYS AND THE ACQUISITION AND DISPOSAL OF ASSETS BY STATUTORY BOARDS

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AUDIT GUIDANCE STATEMENT

AGS 9

Opinion on Receipts, Expenditure, Investment of Moneys and the Acquisition and Disposal of Assets by Statutory Boards

Introduction

1. Statutory boards are constituted under Acts of Parliament and are therefore statutorily accountable to Parliament. Auditors of most statutory boards are required, by a standard provision in the statutory board acts, to state in their report, the following:
 - (a) Whether the financial statements show fairly the financial transactions and the state of affairs of the statutory board;
 - (b) Whether proper accounting and other records have been kept, including records of all assets of the statutory board whether purchased, donated or otherwise;
 - (c) Whether the receipts, expenditure, investment of moneys and the acquisition and disposal of assets by the statutory board during the year have been in accordance with the Act¹; and
 - (d) Such other matters arising from the audit as he considers should be reported.

Scope

2. This AGS provides guidance for work performed by the auditors of financial statements of statutory boards relating to paragraph 1(c) above. The audit of whether the receipts, expenditure, investment of moneys and the acquisition and disposal of assets by the statutory board have been in accordance with the Act should be integrated with the audit of the financial statements.
3. Amongst others, this AGS does not apply to engagements relating to Performance Audit (Value-for-Money Audit). In a Performance Audit, the auditor looks for instances of inefficiency, wastage and extravagance from an independent perspective. For example, when examining the purchase of equipment, the auditor inquires whether the equipment is needed, whether other options have been considered in order to obtain the best value for money and whether the objectives of the purchase are eventually achieved.
4. The work of the auditor is not directed towards the discovery of all instances of non-compliance. The auditor is required to obtain reasonable assurance about whether the statutory board has complied, in all material respects, with paragraph 1(c). Reasonable assurance is a high level of assurance. It is obtained when the auditor has obtained sufficient appropriate audit evidence to reduce audit risk (that is, the risk that the auditor expresses an inappropriate opinion) to an acceptably low level. However, reasonable assurance is not an absolute level of assurance, because there are inherent limitations of an audit which result in most of the audit evidence on which the auditor draws conclusions and bases the auditor's

¹ Relevant Act that is applicable to the respective statutory boards.

opinion being persuasive rather than conclusive.

Responsibility of Management

5. It is the responsibility of management, with the oversight of those charged with governance, to ensure that the receipts, expenditure, investment of moneys, and the acquisition and disposal of assets by the statutory board have been in accordance with the Act under which the statutory board is established or constituted. This includes a responsibility for the statutory board's framework of risk management, the design and effective operation of controls and incorporating compliance requirements into procedures and to monitoring adherence to those procedures.

Objective

6. The objective of the auditor is to obtain sufficient appropriate audit evidence to form an opinion and report on whether the statutory board has complied, in all material respects, with paragraph 1(c). The auditor adopts an integrated audit approach covering the financial statements audit and the compliance audit. In an integrated audit, the auditor designs the testing to accomplish the objectives of both audits simultaneously.

Definitions

7. For purposes of this Statement, the following terms have the meanings attributed below:
 - (a) Acquisition and disposal of assets – To come into possession, ownership or control of and the selling, transferring or removal of assets as defined in the statutory board financial reporting standards.
 - (b) Compliance audit – The audit of the receipts, expenditure, investment of moneys and the acquisition and disposal of assets by the statutory board performed in accordance with this AGS to ascertain compliance with the compliance requirements.
 - (c) Compliance requirements – Relevant Act that is applicable to the respective statutory boards including any regulations and directions² with which the statutory board is required to comply.
 - (d) Expenditure – Moneys of the statutory board applied in defraying the working and establishment expenses, provision for maintenance of any property of the statutory board, expenses incurred or incidental to the investment or management of the moneys or properties of the statutory board, interest on any loan raised and any other amounts paid by the statutory board.
 - (e) Investment of moneys – Placement of the statutory board's funds in such manner for the accretion of wealth through distribution (such as interest, royalties, dividends and rentals), for capital appreciation or for other benefits to the statutory board such as those obtained through trading relationships.
 - (f) Non-compliance – Acts of omission or commission by the statutory board, either intentional or unintentional, which are contrary to the compliance requirements. Such acts include transactions entered into by, or in the name of, the statutory board, or on its behalf, by those charged with governance, management or employees. Non-compliance does not include personal misconduct (unrelated to the business activities of the statutory board) by those charged with governance, management or employees of the statutory board.
 - (g) Receipts – All sums received including any amounts recovered or collected by way of

² This includes relevant sections of the instruction manual and finance circular minutes which are applicable to statutory boards.

levying fees and charges for the services concerned or from discharging of other functions and duties of the statutory board under the statutory board act and any amounts received from investments, donations and grants.

- (h) Transactions – The receipts, expenditure, investment of moneys and the acquisition and disposal of assets.

Audit Approach

Planning and Design

8. The auditor plans and performs procedures to determine whether, in all material respects, the statutory board's Transactions comply with the compliance requirements. The principles and procedures applied to obtain sufficient appropriate evidence to support an opinion on the compliance of Transactions of a statutory board are the same as those applied to the audit of any other financial statement assertion. Thus, in forming an opinion on compliance audit, the auditor seeks to provide reasonable assurance that the Transactions are, in all material respects, in accordance with the compliance requirements.
9. There may, however, be particular considerations in respect of the auditor's assessment of risk, materiality and the design of audit procedures in relation to the compliance requirements.

Obtaining a Sufficient Understanding of the Compliance Requirements

10. An auditor of a statutory board has, or obtains, an understanding of the compliance requirements governing the statutory board and its activities, which is sufficient to enable identification of events and practices which may have a material effect on the compliance of Transactions applicable to the statutory board. In obtaining a sufficient understanding of the compliance requirements, the auditor may seek an understanding of the statutory board's controls for incorporating the compliance requirements into its standard operating procedures. The auditor may also seek representations from the statutory board about the compliance requirements that govern its operations, but any representations received are reviewed critically in accordance with SSA 580³.
11. In all regards, the statutory board retains the responsibility for ensuring the compliance of its Transactions with the compliance requirements. The auditor has a responsibility for understanding the compliance requirements and cannot rely wholly on management representations, as the auditor's opinion on compliance audit must be based on evidence of compliance with the requirements, rather than on evidence of compliance with the statutory board's understanding of the requirements.
12. Understanding the compliance requirements and using this information appropriately will assist the auditor in identifying potential material non-compliance, for example, from new and complex compliance requirements or from a misinterpretation of the compliance requirements, and in developing the audit plan and its scope. Where the auditor is uncertain whether the compliance requirements have been properly interpreted and the effect could be material, it may be necessary to seek legal opinion (see paragraphs 31 to 32).
13. For some statutory boards, the compliance requirements governing their nature and activities may not change from year to year. In these circumstances, the auditor may already have sufficient knowledge of those compliance requirements from previous audits and may use such information, updated in the current period based on enquiries with management and those charged with governance, for the current period audit. Where the compliance requirements have changed, the auditor obtains sufficient knowledge of these requirements.
14. Where appropriate, the following are procedures the auditor may consider performing to identify and obtain an understanding of the applicable compliance requirements:

³ SSA 580, "Written Representations."

- Reading the relevant statutory board act including any regulations and directions with which the statutory board is required to comply;
 - Discussions with the management and those charged with governance and staff employed by the statutory board (for example, finance officers, internal auditors, policy and legal officers);
 - Documents produced by the statutory board (for example, minutes of board and other principal committee meetings, internal management reports, management policy manuals, manuals of accounting and internal control); and
 - Previous experience with the statutory board.
15. The auditor's work on laws and regulations only focuses on those compliance requirements that are relevant to the statutory board's Transactions.

Identifying and Assessing the Risks of Material Non-compliance through Understanding the Statutory Board and its Environment

16. The auditor identifies and assesses the risks of material non-compliance, whether due to fraud or error, for each applicable compliance requirement, through understanding the statutory board and its environment, including the statutory board's internal control over the compliance requirements, thereby providing a basis for designing and responding to the assessed risks of non-compliance.
17. In performing risk assessment procedures, the auditor inquires of management about whether there are findings and recommendations in reports or other written communications resulting from previous audits, assurance engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit. The auditor gains an understanding of management's response to findings and recommendations that could have a material effect on the statutory board's compliance with the compliance requirements (for example, taking corrective action).
18. The auditor considers the controls over compliance requirements which mitigate the risk that a non-compliance could occur in a class of Transactions and risk which could be material would not be prevented, or detected and corrected on a timely basis, by the accounting and control systems. Where the auditor expects to be able to rely on the operation of internal controls over the compliance requirements to reduce the extent of audit procedures relating to compliance, the auditor assesses the design and implementation of those controls and plans and performs tests of their effectiveness. Internal control consists of the following components: the control environment, the statutory board's risk assessment, information and communication systems, control activities and monitoring. SSA 315⁴ contains a detailed discussion of these components.
19. Some of the risk factors and the possible mitigating controls the auditor may consider in relation to compliance are summarised in Appendix II.
20. The auditor considers the significance of the identified risks of material non-compliance in determining the nature, timing and extent of audit procedures required to reduce audit risk to an acceptable level, including determining the extent of testing the implementation of any corrective actions. As part of the risk assessment, the auditor determines which of the risks identified are significant and which require special audit consideration.

Materiality in Planning and Performing a Compliance Audit

21. The concept of materiality applies to the compliance audit as to the other assertions in relation to the financial statements. In conducting a compliance audit, the overall objectives of the auditor are to obtain reasonable assurance about whether the Transactions are, in all material respects, in compliance with the compliance requirements. The auditor obtains reasonable

⁴ SSA 315, "Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and its Environment."

assurance by obtaining sufficient appropriate audit evidence to reduce audit risk to an acceptable low level.

22. The same materiality can be used in a financial statements audit and in a compliance audit. Determining materiality involves the exercise of professional judgement and includes both quantitative (value) and qualitative (nature) considerations. In planning the compliance audit, the auditor uses the same materiality considerations that the auditor uses in planning the financial statements audit.

Testing for Compliance

Auditor's Responses to Assessed Risks

23. The auditor designs and performs further audit procedures whose nature, timing and extent are based on and are responsive to the assessed risks of material non-compliance. SSA 330⁵ provides guidance that may be adapted when developing an overall response to the risks of material non-compliance. The auditor also considers any exceptions from the financial statements audit and designs and performs additional audit procedures accordingly.
24. The auditor plans and performs the audit of the internal controls designed to ensure compliance as the auditor would for the audit of any other aspect of the financial statements.
25. The auditor may identify specific risks to compliance that leads to an assessment that the risk of material non-compliance is high when performing risk assessment procedures. In these circumstances, it is likely that the same risks will have been recognised by management and controls put in place to mitigate the risk. The table in Appendix II sets out some of the controls that management may put in place over the risks identified. The auditor tests the controls on which the auditor intends to rely.
26. For the purpose of compliance audit, the auditor may design a test of controls to be performed concurrently with a test of details on the same Transaction in the financial statements audit. Although the purpose of a test of controls is different from the purpose of a test of details, both may be accomplished concurrently by performing a test of controls and a test of details on the same Transaction, also known as a dual-purpose test. For example, the auditor may design and evaluate the results of, a test to examine an invoice to determine whether it has been approved and to provide substantive audit evidence of a Transaction. A dual-purpose test is designed and evaluated by considering the purpose of each test separately.
27. When the auditor identifies instances of non-compliance from the test of controls, the auditor determines the impact on the control risk assessment for purpose of the financial statements audit.

Written Representations

28. The auditor obtains written representations from management and, where appropriate, those charged with governance that they believe that they have fulfilled their responsibilities for the compliance of the Transactions with the compliance requirements. This is particularly important in areas where direct evidence is not available to the auditor. The length and formality of management written representations on compliance do not influence the scope of the auditor's procedures in obtaining evidence to support the compliance audit. The general principles in SSA 580 may be adapted when obtaining management representations.

Using the Work of Others

29. The auditor of a statutory board may wish to make use of the work of the internal auditor to obtain sufficient appropriate evidence in support of the compliance audit. Where the auditor considers internal audit work, the auditor applies SSA 610⁶.

⁵ SSA 330, "The Auditor's Responses to Assessed Risks."

⁶ SSA 610, "Using the Work of Internal Auditors."

30. Where the statutory board has contracted out services to a service organisation, whether the auditor needs access to the service organisation and/or the service organisation's auditor to perform the compliance audit depends on the nature of the services provided, the information available at the statutory board, and the terms of engagement of the other auditor.

Obtaining Legal Advice

31. It is reasonable for the auditor to rely on legal opinions obtained by the statutory board concerning the compliance of Transactions with the compliance requirements where such opinions are provided by an appropriate independent expert and where there are no factors, other than those on which legal opinions have been obtained, which may lead the auditor to question the compliance of Transactions. In such circumstances, the auditor applies SSA 620⁷.
32. Where the auditor is uncertain about the compliance requirements, the auditor may seek legal advice. Where the auditor is considering the need to obtain legal opinions concerning the interpretation of statutes or regulations, the auditor follows the standards and guidance in SSA 620.

Reporting on Compliance

Responses to Instances of Non-compliance

33. In determining whether a statutory board has materially complied with the applicable compliance requirements, the auditor may consider the following factors:
- The quantitative impact on the financial statements; whether the aggregate value of non-compliance accumulated during the audit approaches materiality determined in accordance with paragraphs 21 to 22;
 - The frequency of non-compliance with the applicable compliance requirements identified during the audit; and
 - The nature of identified non-compliance and the circumstances of its occurrence indicate that other non-compliance may exist.
34. The auditor considers the nature and extent of any non-compliance or suspected non-compliance and, in particular, whether it arises from a fundamental misinterpretation of compliance requirements or a misapplication of rules and procedures. The most likely course is that the auditor obtains further evidence, for example, by carrying out additional testing of a particular category of Transactions.
35. Cases of non-compliance are usually reported to the management and those charged with governance of the statutory board. The auditor evaluates the implications for the audit opinion, in accordance with the guidance described in SSA 705⁸.
36. Where a non-compliance is discovered, the auditor considers the wider implications on the financial statements. This includes consideration of the implications for the auditor's assessment of risks and controls in relation to material non-compliance and the reliance the auditor can place on the overall control environment and representations from management.
37. In most cases of suspected non-compliance which are material, the auditor is able to reach agreement with management on whether the Transactions were in compliance with the compliance requirements. However, if the statutory board's management does not accept the auditor's opinion that the Transactions are not in compliance with the compliance requirements, then the auditor communicates in a report to the appropriate level of management, the board of directors or the audit committee the findings from the auditor's

⁷ SSA 620, "Using the Work of an Auditor's Expert."

⁸ SSA 705, "Modifications to the Opinion in the Independent Auditor's Report."

investigations into the circumstances surrounding the suspected non-compliance and the conclusions drawn therefrom.

Fraud and Non-compliance

38. The auditor may encounter situations where there is suspicion of fraud, identified by management, internal audit, third parties or the auditor. Although the auditor does not have the authority to determine whether or not a fraud has actually occurred, the auditor has a responsibility to determine whether, in the auditor's opinion, the Transactions concerned are in compliance with the compliance requirements. SSA 240⁹ sets forth the requirements and the auditor's responsibilities relating to fraud and the guidance in Appendix 1 of SSA 240 provides examples of fraud risk factors.
39. Since auditors of most statutory boards are required to express an opinion on compliance, the impact of any fraud which is material always results in modification of the opinion on compliance audit. Fraud in the context of the auditor's opinion on the compliance of Transactions may embrace suspected as well as proven fraud.

Opinion on Compliance Audit

40. The opinion on the compliance audit conducted under this AGS, is in addition to the auditor's responsibility under the SSAs to report on the financial statements. This opinion is addressed in a separate section in the auditor's report that is sub-titled "Report on Other Legal and Regulatory Requirements" as described in SSA 700¹⁰. The content relevant to this compliance audit is included in paragraphs 41 to 48 of this AGS.

Management's Responsibility

41. The auditor's report includes a section with the heading "Management's Responsibility".
42. This section of the auditor's report describes the responsibilities of those in the statutory board that are responsible for ensuring that the Transactions are in compliance with the compliance requirements. The description includes an explanation that 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 and that this responsibility includes implementing internal controls as management determines are necessary to enable compliance with the provisions of the Act.

Auditor's Responsibility

43. The auditor's report includes a section with the heading "Auditor's Responsibility".
44. The auditor's report states the following:
 - (a) The responsibility of the auditor is to express an opinion on the compliance audit based on the audit of the financial statements;
 - (b) The audit was conducted in accordance with this AGS, which states that the auditor plans and performs 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;
 - (c) The 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 any non-compliance arising thereof;

⁹ SSA 240, "The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements."

¹⁰ SSA 700, "Forming an Opinion and Reporting on Financial Statements", paragraphs 38 and 39.

- (d) Because of the inherent limitations in any accounting and internal control system, errors and irregularities may nevertheless occur and not be detected; and
- (e) Whether the auditor believes that the audit evidence obtained is sufficient and appropriate to provide a basis for the opinion on the compliance audit.

Auditor's Opinion

45. When expressing an unmodified opinion on the compliance audit, the auditor's opinion states that the receipts, expenditure, investment of moneys and the acquisition and disposal of assets by the statutory board during the year are, in all material respects, in accordance with the provisions of the Act. Examples for unmodified opinions can be found in Illustrations 1 and 2 in Appendix I.
46. There may be situations where an auditor is unable to express an unmodified opinion on the compliance audit. In view that this compliance audit is integrated with the audit of the financial statements of the statutory board, it may be only acceptable to have a qualified opinion on the compliance audit. A qualified opinion on the compliance audit may be required in the following instances:
 - (a) The auditor, having obtained sufficient appropriate audit evidence, concludes that the instances of non-compliance, individually or in the aggregate, are material, but not pervasive, to the compliance audit;
 - (b) The auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion, but the auditor concludes that the possible effects on non-compliance, if any, could be material but not pervasive.

In addition, the auditor considers the impact of the qualification above in auditing the financial statements of the statutory board.
47. When expressing a qualified opinion on the compliance audit, the auditor's opinion comprises of two sections:
 - (a) Basis for Qualified Opinion – Where the auditor qualifies on the compliance audit, the auditor includes a paragraph in the auditor's report that provides a description of the matter giving rise to the modification. The auditor places this paragraph immediately before the opinion paragraph and use the heading "Basis for Qualified Opinion".
 - (b) Qualified Opinion – Where the auditor qualifies the opinion, the auditor uses the heading "Qualified Opinion" and states that "Except for the effects of the matter(s) described in the Basis for Qualified Opinion paragraph, the receipts, expenditure, investment of moneys and the acquisition and disposal of assets by the statutory board during the year are, in all material respects, in accordance with the provisions of the Act."

An example of a qualified opinion can be found in Illustration 3 in Appendix I.

48. When the auditor expresses a qualified opinion on the compliance audit, the auditor amends the description of the auditor's responsibility in accordance with SSA 705¹¹.

¹¹ SSA 705, "Modifications to the Opinion in the Independent Auditor's Report", paragraph 26.

APPENDIX I

Illustrations of Auditors' Reports

- Illustration 1: An auditor's report containing an unqualified opinion on the compliance of Transactions and an unqualified opinion on the fair presentation of the financial statements.
- Illustration 2: An auditor's report containing an unqualified opinion on the compliance of Transactions of the statutory board and an unqualified opinion on the fair presentation of the financial statements of the group.
- Illustration 3: An auditor's report containing a qualified opinion on the compliance of Transactions due to the auditor's inability to obtain sufficient appropriate audit evidence on a class of Transaction and a qualified opinion on the fair presentation of the financial statements.

Illustration 1: An Auditor's Report Containing an Unqualified Opinion on the Compliance of Transactions and an Unqualified Opinion on the Fair Presentation of the Financial Statements.

Independent Auditor's Report to the Members of _____ (Board)

Report on the Financial Statements

We have audited the accompanying financial statements of _____ (entity) (the "Board"), which comprise the statement of financial position as at _____ (date), and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's¹² Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of _____ Act, Chapter _____ (the "Act") and Statutory Board Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.¹³ An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements are properly drawn up in accordance with the provisions of the Act and Statutory Board Financial Reporting Standards so as to present fairly, in all material respects, the state of affairs of the Board as at _____ (date) and the results, changes in equity and cash flows of the Board for the year ended on that date.

¹² Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

¹³ In circumstances when the auditor also has responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements, this sentence would be worded as follows: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances."

Report on Other Legal and Regulatory Requirements

Management's¹⁴ 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 entity'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 opinion on management's compliance.

Opinion

In our opinion:

- (a) the receipts, expenditure, investment of moneys and the acquisition and disposal of assets by the Board during the 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 Board whether purchased, donated or otherwise.

[Form and content of this section of the auditor's report will vary depending on the nature of the auditor's other reporting responsibilities.]

____ (Firm)
 Public Accountants and
 Chartered Accountants
 Singapore
 _____ (Date)

Note:

The opinion paragraph may have to be amended to report on matters specifically required under the relevant Act.

Where the auditor is reporting to the Auditor-General instead of the Board Members, the report should be addressed accordingly.

¹⁴ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

Illustration 2: An Auditor's Report Containing an Unqualified Opinion on the Compliance of Transactions of the Statutory Board and an Unqualified Opinion on the Fair Presentation of the Financial Statements of the Group.

Independent Auditor's Report to the Members of _____ (Board)

Report on the Financial Statements

We have audited the accompanying financial statements of _____ (entity) (the "Board") and its subsidiaries (the "Group"), which comprise the statements of financial position of the Group and the Board as at _____ (date), and the statements of comprehensive income and statements of changes in equity of the Group and the Board and the consolidated statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's¹⁵ Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of _____ Act, Chapter _____ (the "Act") and Statutory Board Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.¹⁶ An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position, statement of comprehensive income and statement of changes in equity of the Board are properly drawn up in accordance with the provisions of the Act and Statutory Board Financial Reporting Standards so as to present fairly, in all material respects, the state of affairs of the Group and the Board as at _____ (date) and the results and changes in equity of the Group and the Board and cash flows of the Group for the year ended on that date.

¹⁵ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

¹⁶ In circumstances when the auditor also has responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements, this sentence would be worded as follows: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances."

Report on Other Legal and Regulatory Requirements

Management's¹⁷ 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 entity'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 opinion on management's compliance.

Opinion

In our opinion:

- (a) the receipts, expenditure, investment of moneys and the acquisition and disposal of assets by the Board during the year 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 Board and of those subsidiaries incorporated in Singapore of which we are the auditors whether purchased, donated or otherwise.

[Form and content of this section of the auditor's report will vary depending on the nature of the auditor's other reporting responsibilities.]

____ (Firm)
 Public Accountants and
 Chartered Accountants
 Singapore
 _____ (Date)

Note:

The opinion paragraph may have to be amended to report on matters specifically required under the relevant Act.

Where the auditor is reporting to the Auditor-General instead of the Board Members, the report should be addressed accordingly.

¹⁷ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

Illustration 3: An Auditor's Report Containing a Qualified Opinion on the Compliance of Transactions Due to the Auditor's Inability to Obtain Sufficient Appropriate Audit Evidence on a Class of Transaction and a Qualified Opinion on the Fair Presentation of the Financial Statements.

Independent Auditor's Report to the Members of _____ (Board)

Report on the Financial Statements

We have audited the accompanying financial statements of _____ (entity) (the "Board"), which comprise the statement of financial position as at _____ (date), and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's¹⁸ Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of _____ Act, Chapter _____ (the "Act") and Statutory Board Financial Reporting Standards (SB-FRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.¹⁹ An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

Management was unable to provide a complete list of related party (non-government related entities) transactions as defined by SB-FRS 24 - *Related Party Disclosures*. Due to certain lapses in internal controls during the year, transactions with related parties (non-government related entities) were not identified or subject to appropriate levels of approval. Consequently, we were not able to obtain sufficient appropriate evidence on the following:

- a) whether all related parties (non-government related entities) have been identified;
- b) completeness of disclosure for such related party balances and transactions in the financial

¹⁸ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

¹⁹ In circumstances when the auditor also has responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements, this sentence would be worded as follows: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances."

- statements; and
- c) whether such related party transactions were made after necessary approvals were obtained.

Qualified Opinion

In our opinion, except for the impact of the matter described in the *Basis for Qualified Opinion* paragraph, the financial statements are properly drawn up in accordance with the provisions of the Act and SB-FRS so as to present fairly, in all material respects, the state of affairs of the Board as at _____ (date) and the results, changes in equity and cash flows of the Board for the year ended on that date.

Report on Other Legal and Regulatory Requirements

Management's²⁰ 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 entity'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.

Basis for Qualified Opinion

Due to certain lapses in internal controls during the year as highlighted in the *Basis for Qualified Opinion* paragraph under the Report on the Financial Statements section above, we were not able to obtain sufficient appropriate evidence on whether transactions with all related parties (non-government related) transactions were in accordance with the provisions of the Act.

Qualified Opinion

In our opinion, except for the matters described in the *Basis for Qualified Opinion* paragraph:

- (a) the receipts, expenditure, investment of moneys and acquisition and disposal of assets by the Board during the year 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 Board whether purchased, donated or otherwise.

[Form and content of this section of the auditor's report will vary depending on the nature of the auditor's other reporting responsibilities.]

²⁰ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

_____ (Firm)

Public Accountants and
Chartered Accountants
Singapore

_____ (Date)

Note:

The opinion paragraph may have to be amended to report on matters specifically required under the relevant Act.

Where the auditor is reporting to the Auditor-General instead of the Board Members, the report should be addressed accordingly.

APPENDIX II

Risks to Compliance and Possible Control Procedures

Risk	Description	Mitigating Controls
Complexity of regulations	The more complex the regulations, the greater the risk of error. This may occur either through a misunderstanding or misinterpretation of the regulation or through an error in application.	<ul style="list-style-type: none"> • Formal procedures for the incorporation of statutory requirements into operating instructions. • Formal control plans prepared and monitored by appropriate personnel. • Review of control plans and operating manuals by internal audit or some other independent audit.
New compliance requirements	New compliance requirements may require the introduction of new administrative and control procedures. This may result in errors in either the design or operation of controls required to ensure compliance.	The controls identified above involving formal procedures for the incorporation of statutory requirements into operating instructions. Formal control plans and the independent review of operating instructions and control plans will also apply.
Services and programmes delivered through third parties	Where programmes are administered by agents, statutory boards lose a degree of direct control and may have to rely on agents to ensure compliance with the compliance requirements.	<ul style="list-style-type: none"> • Formal agreements between the statutory board and the agent defining control procedures to be applied in the administration of services. • Management control and monitoring of third party activities. • Inspection visits by internal audit to third parties to review systems and procedures, including those relevant to compliance. • Independent certification of the transactions by the third parties' auditor.
Payments and receipts made on the basis of claims or declarations	A statutory board's ability to confirm compliance with the compliance requirements may be restricted where, for example, criteria specified are not subject to direct verification.	<ul style="list-style-type: none"> • Established criteria for making claims, clearly set out in departmental instructions and guidance to claimants. • Standard requirements for documentation evidencing entitlement to be submitted in support of claims. • Physical inspection of claimants' records etc., to confirm eligibility.

APPENDIX III

Audit Approach Flowchart

The diagram below reflects the typical flow of the execution of a compliance audit of a statutory board.

