



*An Endearing Home
A Distinctive Global City*

Ministry of National Development

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29 August 2015

Ms Sylvia Lim
Immediate Past Chairman
Aljunied-Hougang-Punggol East Town Council (AHPETC)
Blk 810 Hougang Central #02-214
Singapore 530810

Dear Ms Lim,

In AHPETC's FY13/14 Financial Statements and Reports, your independent auditor, Audit Alliance LLP, found that the TC's Deputy General Manager, who was also a shareholder and director of FM Solutions & Services (FMSS), certified invoices received from FMSS totalling \$2.1mil on behalf of the TC, and subsequently also approved the related payment vouchers by the TC to FMSS, with no segregation of duties. This reinforced the Ministry of National Development's (MND's) concerns about the TC's state of financial management, and in particular, whether payments made by the TC to FMSS were valid and proper. On 9 July 2015, shortly after MND received the Financial Statements and Reports, MND wrote to the Accounting and Corporate Regulatory Authority (ACRA) to ask if ACRA had any concerns about the quality of FMSS' accounts and the audit process that validated them.

2 In response, ACRA commenced a practice monitoring review on FMSS' auditor, Teo Liang Chye & Co, on 14 August 2015, after giving them one month's notice. ACRA has completed its review and surfaced its findings to MND on 27 August 2015.

3 MND is reviewing the findings, but has some preliminary observations on FMSS' audited accounts. They show gross profiteering by FMSS, at the expense of AHPETC, its sole client:

For FY12/13

FMSS made a profit after tax of \$510,904. This was after FMSS paid its three Owners/Directors¹, fees and salaries of \$702,295, and consultancy & secretarial fees of \$300,000².

¹ The shareholdings as at 1 May 2013 were the late Mr Danny Loh 60%, Ms How Weng Fan 20%, and Mr Yeo Soon Fei 20%.

² For FY12/13, on top of Directors fees and salaries, the late Mr Danny Loh was also paid \$180,000 in secretarial fees, Ms How Weng Fan was also paid \$108,000 in consultancy fees and Mr Yeo Soon Fei was also paid \$12,000 in consultancy fees, a year.

Total payments to the three FMSS Owners/Directors for FY12/13 amounted to \$1,513,199.

For FY13/14

FMSS made a profit after tax of \$2,035,784. This was after FMSS paid its four Owners/Directors³, fees and salaries of \$839,696, and consultancy & secretarial fees of \$300,000⁴.

Total payments to the four FMSS Owners/Directors for FY13/14 amounted to \$3,175,480.

Between FY12/13 and FY13/14

While FMSS' revenue increased by 30% in one year, from \$6,740,572 to \$8,773,429, its profit after tax rose 300%, from \$510,904 to \$2,035,784.

4 MND observes that the total payments by AHPETC to FMSS Owners/Directors amounted to 22% of FMSS' revenue in FY12/13. It grew further to 36% in FY13/14. Such levels of profit margin are abnormal. As AHPETC was FMSS' only client, these findings support MND's earlier concern that the TC had overpaid FMSS excessively. In addition, MND notes that AHPETC had an operating deficit of \$1.5 mil in FY12/13, and a further deficit of \$2.0 mil in FY13/14. Had the TC not overpaid FMSS, it might well have had been able to break-even.

5 As FMSS earned its revenues solely from AHPETC, and FMSS' Owners/Directors also held key management positions in AHPETC, we would like to know if you were aware of the extent of profiteering in FMSS, and if so, since when had you known, and what you had done about it. In addition, as AHPETC had terminated its contractual relationship with FMSS, we would like to know if you have examined past transactions with FMSS, and how you intend to recover the monies lost due to any overpayment. We would appreciate your prompt response.

6 As FMSS was paid using Service & Conservancy Charges (S&CC) collections from residents and S&CC operating grants from MND, public monies are at stake. What happened between the TC and FMSS is not a private matter, but one which MND needs to look into. MND will therefore be making a public statement on this matter of public interest, which underscores why MND has applied to the Court to appoint Independent Accountants.

³ The shareholdings as at 30 April 2014 were the late Mr Danny Loh 50%, Ms How Weng Fan 20%, Mr Yeo Soon Fei 20%, and Mr Lieow Chong Sern 10%.

⁴ For FY13/14, on top of Directors fees and salaries, the late Mr Danny Loh was also paid \$180,000 in secretarial fees, Ms How Weng Fan was also paid \$108,000 in consultancy fees and Mr Yeo Soon Fei was also paid \$12,000 in consultancy fees, a year.

Yours sincerely



Han Kok Juan
Senior Director (Housing)
for Permanent Secretary
Ministry of National Development