

## **Ministry review clears AIM deal**

**No misuse of public funds , conflict of interest in sale of software used by PAP town councils to PAP-owned firm**

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A four-month review of the sale of computer software used by People's Action Party (PAP) town councils to a PAP-owned company, Action Information Management (AIM), has given it the all-clear: There was no misuse of public funds, nor any conflict of interest between any town council members and the company.

While the 37-page report found that the 14 PAP town councils had complied with the "broad and general rules" which they were governed under, the Ministry of National Development (MND) Town Council Review Team — headed by MND Deputy Secretary Tay Kim Poh — recommended that the Government conduct a "strategic review" on the roles and functions of town councils, in view of their politicised nature. The team, however, did not suggest any terms of reference for the review and left the recommendation open-ended.

The report pointed out that the intent of the Town Councils Act was to give the elected Members of Parliament (MPs) "as much latitude as possible ... within broad and general rules". "In the administration of the Act, latitude has always been given to MPs, across political parties, to exercise autonomy in their judgment on such matters as to how to best achieve their agenda and serve their residents' interest," it added.

The review found that it was not an uncommon practice across political parties for the elected MPs to tap those who share their political affiliation and engage them as staff in the town councils.

The report, which was made public yesterday, was submitted to Prime Minister Lee Hsien Loong on April 30.

It reiterated that the PAP town councils had "acted in good faith in the interests of and for the benefit of their residents" when the contract was awarded to the IT company in 2010.

The review also found that AIM did not make a profit from the transaction and its directors were not paid a fee. It also did not find any direct or indirect commercial and financial interest on the part of the town council members in AIM or the contract which it was awarded.

In a press statement, Mr Lee — who had ordered the review on Jan 8 — said yesterday that the Government "accepts the findings and recommendations of the MND review". He added that National Development Minister Khaw Boon Wan will deliver a ministerial statement on the

review, including on both the AIM transaction and the overall governance of town councils, when Parliament sits on May 13.

Mr Lee said: “The Review Team concluded that the AIM transaction complied with the Town Councils Act and Town Council Financial Rules, and there was no misuse or loss of public moneys in the transaction. They also noted a broader issue: The risk of politicising town council administration, because of the party political nature of town councils operating in a competitive context.”

The AIM saga began in December last year after Workers’ Party (WP) Chairman Sylvia Lim said that the performance of the WP’s Aljunied-Hougang Town Council was affected by the termination of its IT contract with AIM. A protracted exchange of words ensued over the next three weeks between Ms Lim on one side, and PAP Town Councils Co-ordinating Chairman Teo Ho Pin and AIM Chairman S Chandra Das on the other.

Ms Lim said yesterday that the WP and its town council were “studying the report in detail and will give our response in due course and in Parliament”.

Dr Teo said he was “glad that the MND review has concluded that the AIM transaction complied with the Town Councils Act and the Town Council Financial Rules and also that there were no misuse of public money in the transactions”. Mr Chandra Das could not be reached for comment.

AIM is no longer managing the PAP town councils’ software after NEC Asia Pacific won a tender last month to develop a computer system for the town councils.

The report also pointed out that the deal in question was not the first time that AIM had worked with the PAP town councils.

In 1994, it won a tender to develop the first generation of management software. Hence, it was reasonable for the town councils to award the 2010 tender to AIM “as they were familiar with AIM given its track record since 1994”, the report said. It added that a sale and leaseback arrangement “was not uncommon in the IT industry”.

On the outcome of the review, Singapore Management University law lecturer Eugene Tan said that it “would be very difficult to find fault” with the transaction.

Pointing out that AIM had in fact made a loss-making bid for the tender, Institute of Policy Studies Senior Research Fellow Gillian Koh noted that the “actual kerfuffle that gave rise to the saga was a result of differences in the interpretation of the termination clause”.

National University of Singapore (NUS) business lecturer Mak Yuen Teen — a corporate governance expert — said that while there was no conflict of interest “in the sense that no MP

benefited financially from it ... I would say there is a conflict of interest in the sense of PAP-controlled town councils transacting with a PAP-controlled company”.

Associate Professor Mak added: “It’s what in business we call a related party transaction. There should have been a lot more transparency surrounding the transaction.”

NUS Department Head of Real Estate Yu Shi Ming said he was not surprised by the conclusion that the deal had complied with the rules and regulations.

But the key takeaway from the episode was that town councillors were “increasingly under scrutiny by a knowledgeable public”, he said.