

Annex B

Even before the AGO audit was completed, MND had offered, in response to Ms Sylvia Lim's appeal, to disburse half of the FY2014/15 Service and Conservancy Charge (S&CC) Operating Grant to AHPETC. However, AHPETC failed to take up the offer. Here is the sequence of events:

- On **28 April 2014**, MND wrote to Ms Sylvia Lim: "MND is considering to withhold the FY14/15 S&CC Operating Grant until the conclusion of the audit by the Auditor-General. Right now, we do not have reasonable assurance of proper financial management and keeping of accounts by AHPETC. Before we do so, we want to know whether AHPETC has any views or concerns as regards the proposed withholding of the above S&CC Operating Grant. If there are, you must let us have AHPETC's views or concerns in writing for our consideration no later than 10 working days after you have received this letter (i.e. by 14 May 2014)." Ms Sylvia Lim did not reply to MND by 14 May 2014.
- More than a month later, on **16 June 2014**, Ms Sylvia Lim wrote to MND, stating: "the continued withholding of the grant to AHPETC is likely to critically and adversely affect the TC's cash flow position, resulting in a disruption of essential services to the town because the TC would not be able to pay its contractors...We call on the Ministry to disburse without further delay the Operating Grant it has withheld from AHPETC."
- On **20 June 2014**, MND replied to Ms Sylvia Lim that it was prepared to "reconsider the withholding of grant, to take into account the impact, if any, this may have on the TC's provision of essential services to the town." Following this, MND and AHPETC had a series of exchanges to clarify AHPETC's cash flow position.
- On **7 October 2014**, MND informed Ms Sylvia Lim that MND was "deeply concerned about the TC's financial situation based on the information you provided and we would like to work with you to see how we can help the TC sustain its operations and avoid disruption of essential services to residents. We are prepared to consider, as an exceptional measure, releasing half the operating grant to AHPETC while the AGO audit is still on-going". This would be subject to conditions such as Ms Lim ensuring that the TC makes all the necessary transfers to the Sinking Fund for the entire Financial Year as required under the Town Councils Act and the Town Councils Financial Rules, and Ms Lim confirming and declaring that the statements on AHPETC's financial accounts she earlier provided to MND was true. MND did not receive any reply from Ms Sylvia Lim.
- On **5 November 2014**, Mr Low Thia Khiang told the media that the TC had no cash flow problem.
- A week later, on **12 November 2014**, Ms Sylvia Lim informed MND: "I would like to inform you that the figures given in my letters of 30 July 2014 and 13 Aug 2014, while correct based on information at the time, will need updating. We are assessing the situation and will reply substantively to your letter of 7 Oct 2014 should we wish to take the option of the half-grant while awaiting the conclusion of the AGO audit." Ms Sylvia Lim had not gotten back to MND since then.
- On **12 February 2015**, Ms Sylvia Lim told Parliament: "The Town Council accepts that it should have transferred the full amounts due to the sinking funds each quarter and should have paid sinking fund expenses directly from the sinking fund accounts."

We have taken steps and made good the transfers... We have also done the transfers for FY2013 and have been making transfers for FY2014."

- On **27 March 2015**, during the Pre-Trial Conference, Ms Sylvia Lim repeatedly assured the Judge that AHPETC did not urgently need fresh grants from MND, as AHPETC had sufficient funds for at least the next 3 months. Ms Lim's lawyer also told the Judge, after checking with Ms Sylvia Lim: "I have spoken to my client ... they have not pursued the MND to release ... the grants ... because they don't need the funds. They are okay ... they can manage."
- Yet, on **4 and 5 May 2015**, it was revealed in Ms Sylvia Lim's sworn affidavit, signed 17 April 2015, and in front of the Judge, that AHPETC had not made two out of the four mandatory quarterly transfers to the Sinking Fund for FY14/15, and even the two transfers it did make (for 1Q/2QFY14) were late. AHPETC also admitted that the TC would need the S&CC grants in order to operate in accordance with the law, and to make its Sinking Fund contributions. This was contrary to what Ms Sylvia Lim had told Parliament during the February 2015 Parliamentary debate on the AGO report, and what she and AHPETC's lawyer told the Judge on 27 March 2015.