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PARLIAMENTARY DEBATES

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Thursday, 21st July, 2005

The House met at 1.30 pm

PRESENT:

Mr SPEAKER (Mr Abdullah Tarmugi (East Coast)).

Dr Ahmad Mohd Magad (Pasir Ris-Punggol).

Mr Ang Mong Seng (Hong Kah).

Mr Cedric Foo Chee Keng (West Coast).

Dr John Chen Seow Phun (Hong Kah).

Mr Chew Heng Ching (East Coast), Deputy Speaker.

Mr Steve Chia Kiah Hong (Non-Constituency Member).

Mr Chiam See Tong (Potong Pasir).

Prof. Ivan Png Paak Liang (Nominated Member): Thank you, Mr Speaker, for allowing me to join in this debate. I have two comments and they relate to the financial reporting structure for Institutions of Public Character (IPCs). IPCs are required to post financial information annually using a prescribed format. My first comment regards operating and administrative expenses. Consider a big institution like a university or a hospital. It has multiple activities spanning some profitable, some charitable and some non-profit. All of these are lumped together and we get one big lump sum operating and administrative expenses. I think it would be much better for everyone and much more transparent if there were proper segregation of these operating and administrative expenses between the charitable and the non-charitable and the profit-making activities. This would ensure full transparency. We talk in the House a lot about expense ratios. We can see some expense ratios looking very good and that is because things have been commingled with one another. So I do not think we want to have too much clever accounting. We should rather have these segregated so that the public can understand the picture much more clearly.

Sir, my **second comment relates also to the financial format prescribed by the Commissioner of IRAS.** "Income" is divided into a number of categories. Members would have seen the chart performance shown by the hon. Member Wang Kai Yuen. One of the categories is "Other Income". Let me call attention to NKF that "Other Income" in 2003 was \$25 million, which is a lot of "Others". So my second suggestion is that in this prescribed format by IRAS, if the so-called "Others" indeed becomes so large and exceeds some particular level, it would be much better for us to see a further breakdown. So maybe "Others" and sub-others and sub, sub-others, depending on how big these are.

Dr Warren Lee (Sembawang): Mr Speaker, Sir, I am pleased that this issue has surfaced and is being discussed at great length in this House. I would like to declare my interest in the field in that I am from the VWO sector. I was the President of the Diabetic Society of Singapore from 1996 to 2002 and has since become the Chairman to the present time. I am also a Board Member of the International Diabetes Federation which is based in Brussels and was previously the Regional Chairman of this same organisation. I am also an Advisor to the Singapore Children Society. I have been following the work of NCSS and NKF for some time.

psychologically threatened to come out and participate in the publicity of the charity shows; otherwise, they would not receive subsidy from their respective charity bodies. And, whether those patients who have volunteered to participate in the publicity campaigns of the charity shows been briefed in detail of what exactly would come out and how their story would be portrayed on national TV. Sir, I am of the same opinion as the Health Minister that it would be totally unethical and unacceptable if patients have been pressured to feel obliged to participate in these publicity activities for the charity shows.

Yesterday, the Minister in his Ministerial Statement announced six top priorities for the NKF Board. Hence, I would like to propose a seventh priority for the Board to address. This seventh priority is for the Board to review the NKF's relationships and communications with its patients.

Sir, besides taking good care of the patients in the clinical aspect, there is a need for NKF to treat their patients and beneficiaries with utmost respect and dignity. Have the suffering and the mental and physical distress of these patients been exploited by NKF in the fund-raising charity shows and publicity? Has NKF, in its communications with its patients, unknowingly pressurised, or perhaps misled and/or instilled a fear in these patients, such that these patients have been emotionally blackmailed into coming forward to participate in the publicity of the charity shows? Sir, these apply to other charity bodies as well when carrying out large-scale charity shows over the TV media.

The Minister for Health (Mr Khaw Boon Wan): Mr Speaker, Sir, I took this assignment on July 14th to shepherd the NKF through its crisis. I knew it would be a big challenge, but I had faith that the good sense and charitable nature of Singaporeans will prevail. Yesterday was day six of my assignment. I heard the speeches by 13 Members of this House. Today I heard from another seven.

I must confess that when I came to this House yesterday, I was not sure which views would prevail. Would they be negative and destructive: going for blood, witch-hunting, demolishing the NKF through speeches? Or would they be positive and constructive:

taking the helicopter view, seeing the larger picture, rising above the fray, and shining the light forward?

The 20 speeches cheered me up considerably. I was happy enough to go for a hair-cut last night! All noted the gravity of the situation. All conveyed in no uncertain terms the public anger over the revelations. But all noted the larger issues at stake. Although views on approaches to address these issues inevitably differed, by airing and debating these views openly in this House, we can then begin to find the answers and start the process to re-shaping the NKF and the charities landscape in Singapore.

Future of the NKF

We are all agreed that the good work done by the NKF must continue. There are real patients out there and much of NKF's activities genuinely save lives.

Thankfully, nobody called for the NKF to be shut down. As Dr Wang Kai Yuen put it, the destruction of the NKF would be a "monumental loss to Singapore". All Members spoke on the charitable side of Singaporeans. Otherwise no amount of marketing skills and TV shows could deliver tens of millions of dollars, from all walks of life, to the NKF every year.

Helpfully, Mdm Halimah, Mdm Ho Geok Choo and many others have urged calm and patience, lest we all get lost in the woods. Mr Tan Soo Khoon wisely reminded Singaporeans not to direct their anger at the patients or the NKF staff. As Ms Irene Ng pointed out, coming together to express public outrage is one thing. But vandalising NKF buildings is unbecoming of a society which we want to belong to.

I fully support these sentiments.

Regaining public confidence

All Members agreed that the best way for the NKF to regain public confidence is to pursue greater transparency and accountability.

I am sure Mr Gerard Ee has taken this message back to his Board and they will do their best to bring this about. I note and am thankful for the ringing endorsement of the new Board of Directors. This is important for they must be assured that they have the backing of the House and the public. At the same time, they would have noted the lofty expectations which they must meet.

And I am optimistic that they can deliver. Given the professional competence of the NKF staff, the NKF could be a shining example of good governance, of transparency and accountability. This is my intent. Outside of Singapore, NKF already has a reputation as a pace-setter in kidney dialysis. In Singapore, I would like the NKF, as our largest charity, to now be the pace-setter of what good governance, transparency and accountability ought to be, for all charities and IPCs.

As a refinement, Mr Tan Soo Khoon suggested that key donors, like the Foundations, ought to be represented in the NKF Board. Mdm Ho Geok Choo suggested that unions be represented on the Board. We will bear these suggestions in mind, when the final Board is constituted after the current priorities have been fully discharged.

I know as a fact that many of the new Board Members are long time donors and regular supporters of not just the NKF but also other charities. More importantly, the NKF donors are best served by knowing that the NKF would now have a strong Board which will make the right decisions, and often tough decisions.

But I am not sure if it is a good idea to politicise the charities by inviting opposition Members on the Board, as suggested by Mr Chiam. Let us keep politics out of charities.

Investigations into allegations

All Members have called for a full and thorough investigation.

As Dr Amy Khor put it, many questions remain unanswered and public unrest should be addressed. We certainly intend to do so.

Dr Khor suggested that a committee of inquiry be convened to look into the matter. The Commissioner of Charities has the powers to initiate such investigations. But due process must be observed. The Commissioner must first establish clear evidence of wrongdoing, which includes getting the charity's side of the story.

At the end of the day, it is the substance of the investigations that matters, and not the form, whether it is called a commission of inquiry, an investigation or independent audit. We are all committed to finding answers to the many questions raised by Singaporeans and getting to the bottom of this matter. That is what counts.

The new Board has appointed KPMG to do an independent review. Let us give them time to work on this thoroughly, away from the public glare and emotions, so that assessment can be made objectively and calmly. All the questions that I asked in my statement yesterday will be addressed. Their findings will be made public.

The various Government agencies are comfortable at this point to have the new Board lead the investigation into past practices. Knowing the new Board members, I know they will get to the bottom of the issues. Precisely because of the high standing and reputations of the individuals serving on the Board, this House and the public can feel confident that their review will be full, thorough and that sound judgement will be applied.

In the course of the review, if it is found that laws have been broken, the relevant authorities will certainly step in. I fully agree with Mr Tan Soo Khoon that any wrongdoers must face the law. If there has been any criminal act, the law will take its course. If there have been poor judgements, they will be acknowledged. If there are systemic flaws, they will be fixed.

As I said before, I do not condone fraudulent practices. But we cannot conclude, *a priori*, that there were criminal acts on the basis of what has been published to date. We are a law-based society. Let us follow the due process, as advocated by Dr Warren Lee just now too.

Let us also try to look at this issue from the perspective of Mr Durai's family. His daughter emailed the Prime Minister. Let me quote a few lines from her email. She is a young student in JC but, I think, mature for her age. She wrote: "I was adversely affected by this fiasco". She went on to say: "Since I was young, my father had very little time to spend with us ... I always asked myself why my father had no time for us. Were we less important to him than his patients? Was his work more important than us?" She went on

to ask the Prime Minister: "After the review by the new Board, you will help him to restore his reputation and honour", if no wrong doings were found.

From the media reports on the man, Mr Durai looks to me to be an arrogant man. His achievements are real and significant. But maybe the ego and arrogance went to the head, leading to poor judgement and insensitivity.

I think there are lessons for all of us here. No matter how great our achievements are, we live for others. Look at the late Mr Hon Sui Sen. You could see no ego in the man. He completely personified humility. Likewise, the late President Wee Kim Wee and hence the huge outpouring of emotions at his funeral. President S R Nathan is another such humble man who has done great for society, for Singapore, but remains exactly his past self. I am so glad he decided to seek a second term.

I scanned through the local media today. I could not help noticing the different spin the *Straits Times* put to the MPs' speeches yesterday, compared to all the other local media, like TODAY and *Zao Bao*. Let us hope arrogance has not also gone to the head of the victor in the court case.

Regulation of IPCs

Coming back to the debate, not surprisingly, ensuring a robust regulatory framework for the IPCs was a central theme of Members' speeches.

Striking the right balance

Many Members have noted the need for balance between regulation and flexibility. Mr Chew Heng Ching, Mr Gan Kim Yong and Dr Ong Seh Hong cautioned against knee-jerk reactions. They advised that we do not over-react and introduce new and tighter rules that may inadvertently cause more collective harm than good, particularly for smaller charities. On the other hand, Dr Wang Kai Yuen, Mdm Halimah, Dr Amy Khor and Mr Tan Soo Khoon argued for additional and tighter rules. They felt the existing regulatory regime would appear to be too loose for large charities, if episodes like the NKF could occur.

As always, you know my preference, I think the best way forward is the middle path. We should not rush or force an immediate solution. Let us dive into the problems at the NKF first, grasp the full details, weigh the options and assess the implications, before we decide on the way forward.

As I said yesterday, I see value in differential regulation, to apply different degrees of regulation and compliance to different charities. This is particularly so for quantitative controls like the expense ratio which many Members touched upon. Dr Wang Kai Yuen suggested a sliding scale for limiting expense ratios, ranging from, say, 15% for the large charities to 30% for the small ones. Dr Amy Khor suggested a tiered approach which sounds similar in concept. We would certainly have to give all these suggestions serious consideration.

In any case, the recommendations of the Council of Governance on IPCs on a set of mandatory rules for all IPCs, which the Government had earlier accepted, will kick in by 1st January 2007. But we will see if we can advance this implementation deadline, as proposed by Mr Chew Heng Ching. But I myself will challenge the new NKF Board to achieve compliance within six months.

Regulatory structure

In terms of regulatory structure, Dr Amy Khor proposed a national watchdog to investigate and punish charities which flout the rules and abuse public trust. This is actually the purview of the Commissioner of Charities. The Charities Act gives him extensive power to investigate any abuses. He has power to remove trustees and de-register charities. Whether we need to strengthen his teeth, we can study. After we have completed the independent review on the NKF, we can ask the Commissioner to go for a dental appointment.

Mdm Halimah wondered whether the Government would have intervened, if the previous NKF Board had not sought my involvement. This is now a hypothetical question. But looking back at the sequence of events, I would be surprised if the Commissioner of Charities would have sat on his hands and let the crisis fester.

Dr Khor asked if it was more effective to have a single body guiding all VWOs, instead of spreading the work among the various Central Fund Administrators (CFAs). She has a point, but there are arguments both ways. The CFA model was adopted to better spread out resources in assessing IPCs. Each of the 12 CFAs handles a number of IPCs, specific to that Ministry's area of expertise. If all 1,700 charities, from temples to churches to nursing homes, were to be centrally managed by a single agency, I worry that the required Government machinery would be huge, cumbersome and unresponsive.

On the other hand, there may be some gaps in regulating a complex institution like the NKF, as noted by quite a number of speakers today. It is a company limited by guarantee, a charity and also an IPC - three in one. For instance, as noted by Prof. Ivan Png, the NKF also receives donations which are not tax-exempt and outside IPC purview, and therefore it is not under the purview of my Ministry as the overseeing CFA. A learning point here for Government is to have a more coherent approach to guiding the larger and more complex institutions, like the NKF. We will bear in mind the observations made by Prof. Ivan Png just now about ambiguous definitions of terms and

the reporting format.

Transparency and disclosure

Mdm Halimah, Dr Wang Kai Yuen, Dr Amy Khor felt strongly that salaries of top executives should be disclosed as a mandatory requirement of all IPCs. This was in the original recommendations of the Council on Governance. But the Council discarded it, after extensive consultations with the IPCs.

As I mentioned yesterday, all charities face this tension between protecting the privacy of their top executives and maintaining transparency with their donors. It is not an easy dilemma to resolve. I heard from Ms Irene Ng yesterday that this dilemma, of course, is also faced by other international charities, like Oxfam. Somehow, according to Ms Irene Ng, they seem to have found some satisfactory ways to resolve the dilemma. She mentioned a particular US charity website which was able to release such sensitive information, not so much in terms of dollars and cents but at least as a percentage of something. I intend to study these various models to see if we can emulate it here.

Ms Eunice Olsen asked for greater transparency along the same light, and we intend to do so. And the message to the VWOs is - to voluntarily, as part of their clients' servicing, and the donors are their clients, be open with them. My own belief is that the more open you are with your donors, greater public trust is bound to yield greater support - cause and effect. The Buddhists would say *yin guo* (the cause and effect).

Dr Amy Khor proposed that all IPCs undertake independent audits and publish their annual reports and statements online. All IPCs are actually already required to provide their CFAs with annual independently-audited financial statements. We should certainly