

PRESS STATEMENT

23 January 2007

The Commissioner of Charities raises strong concerns on poor governance and management of Youth Challenge.
Lack of transparency and misleading information on Executive President's remuneration highlighted

The Commissioner of Charities (COC) has completed his inquiry on Youth Challenge (YC).

2. In August 2006, the COC commenced an inquiry on YC after receiving a formal complaint from the National Council of Social Service (NCSS) on possible mismanagement in the administration of YC as a Charity. YC is an associate member of NCSS. Deloitte and Touche Enterprise Risk Services Private Limited was appointed by COC to conduct a special review on YC and to assist in the inquiry. The special review has been completed and the report presented to the COC.

3. The COC found many irregularities and areas of concern in the corporate governance, management and financial controls of YC. In particular, there is lack of transparency and misleading information on the remuneration of its Executive President, Mr Vincent Lam. The COC's key findings are:

a) Poor Corporate Governance and Management

The YC's Constitution provides for the election and duties and responsibilities of the Management Committee (MC). The COC noted non-adherence to the Constitution in this area. The examples included the following:

- Some of the members elected to the 2006/08 MC in July 2006 were not YC members at the time of

election; they had in fact been approached by the Executive President to stand for election. There was also insufficient notice served to members for the Annual General Meeting (AGM).

- Two 2004/06 MC members resigned within four months of being elected, leaving only five members in the MC, although its Constitution stipulated that the MC should have seven members.
- The 2004/06 MC only had six meetings in its 2-year term, of which four meetings were attended by only three members, while the Constitution required the MC to meet at least once every quarter. The MC has the responsibility of ensuring good governance and proper management of the charity and should discharge its duty diligently. It should hold regular meetings with the presence of sufficient members and to actively and vigorously ask and discuss pertinent information and issues, and to ensure YC's compliance with its Constitution and relevant regulatory requirements.

Some of the lapses found within YC were of grave concern. An example was that the Executive President was able to transact electronic payments (including his salary) without a second level of approval, in violation of its Constitution which requires all cheques to be signed by the President or the first Vice-President in addition to the Treasurer. Another example was that no official register of YC members was maintained.

b) Deficiencies in Internal Control

The COC also noted numerous internal deficiencies in YC. Some of the findings included

- blank cheques were pre-signed by the signatories;
- non-compliance with the expenditure approval limits set in the Constitution;
- payments that were inadequately or not supported by documents;

- lack of effective control over merchandise stock eg 4,200 pens valued at \$42,000 were unsold from fund raising events and not properly recorded and tracked;
- failure to contribute CPF for interns;
- under-declaration of Executive President's income to IRAS; and
- membership fee waiver by the Executive President without approval of the MC.

c) Lack of transparency and misleading information on Executive President's remuneration

The basis of the Executive President's salary scale (\$4500x\$450-\$6,300/\$7,200x\$720-\$9,360/\$10,800x\$900-\$15,300) was unknown. The Executive President was also paid various benefits and allowances¹, which were well above the civil service and charity sector norms.

There was no system of annual performance evaluation and neither was there any review to determine if the scale is equitable vis-à-vis the Executive President's responsibilities over the years. The COC found that the Executive President's total annual remuneration for the financial year ended 31 January 2006 was \$248,867. Of this amount, only \$53,836 was disclosed as the Executive President's salaries in the Income and Expenditure Statement. Another \$164,475 was disclosed in Note 3 to the audited financial statements as salaries apportioned to various projects/events. The remaining \$30,556 that comprised CPF contributions and allowances was embedded in various income and expenditure items and had not been disclosed as the Executive President's remuneration. The Executive President's total remuneration of \$248,867 amounted to 56% of the total donation and other income of \$442,287 raised for the same period.

¹ The benefits and allowances cover transportation, car park, outpatient medical, dental, annual medical checkup, holiday resort and recreation, personal travel, birthday gift, housing loan subsidy, club membership and insurance. The Executive President was also entitled to a gratuity once every 5 years, which ranges from 7% to 10% of his total annual salary of last 5 years.

The COC noted that while the audited financial statements by auditor of YC for the years ended 31 January 2004 and 31 January 2005 stated the apportionment of the Executive President's remuneration to the various projects/events, the disclosure notes were however omitted from the YC's Annual Reports for the respective financial years. In fact, the amounts disclosed as the Executive President's salaries in the Income & Expenditure (which excluded the amount allocated out) for the two years were only \$39,060 and \$41,681 respectively. The figures were misleading. YC's Annual Report for 2006, published at the time of the COC's inquiry, had reflected the disclosure note in full.

4. The COC has informed the new YC's Management Committee, which was elected in October 2006 after the mass resignation of the 2006/08 Management Committee in August 2006 when COC instituted the inquiry, of the findings on the various non-compliance and lapses. The COC has given the Management Committee six months to rectify the breaches and weaknesses in the governance and management of YC. During this period, the COC will monitor YC's progress closely.

5. The COC has been informed by the Management Committee that it has accepted Mr Vincent Lam's resignation from the post of Executive President of Youth Challenge with immediate effect from 22 January 2007.

6. The institution of a public character (IPC) status for YC's environment project, which is due to expire on 17 August 2007, will be terminated with immediate effect from 23 January 2007.