

Did KPMG help 1MDB in PetroSaudi cover-up?

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By Nigel Aw

DAP's Petaling Jaya Utara MP Tony Pua is questioning whether audit firm KPMG had helped 1Malaysia Development Bhd (1MDB) to cover up its controversial joint-venture deal with PetroSaudi International (PSI).

He said this is based on fresh documents concerning the deal that were exposed by Sarawak Report yesterday.

Pua said the documents revealed that KPMG had signed off 1MDB's financial statement ending March 31, 2010, even though the document had backdated a deal with the apparent intention to suppress information.

Specifically, Pua said, the financial statement shows that 1MDB entered into a joint-venture (JV) with PetroSaudi Holdings (Cayman) Ltd on Sept 28, 2009, with 1MDB PetroSaudi Ltd acting as the JV vehicle.

However, the JV was aborted and 1MDB's investment of US\$1 billion (RM3.656 billion) in the deal was then converted into murabaha notes valued at US\$1.2 billion (RM4.387 billion, as a loan to 1MDB PetroSaudi Ltd) on March 31, 2010.

However, Pua pointed out that according to a document leaked by Sarawak Report, the murabaha conversion agreement was in fact dated June 14, 2010.

Controversial transactions in JV

Pua said by backdating the Murabaha conversion, 1MDB no longer needed to reveal details of the earlier JV with PetroSaudi, as it has been made to be seen the deal was aborted within the same financial year and overtaken by the latest conversion.

The JV had included controversial transactions, including 1MDB Petrosaudi Ltd "agreeing" that it owed PetroSaudi US\$700 million (RM2.559 billion) in advances and later paying the amount to nominee Good Star Ltd, a company controlled by Malaysian billionaire Jho Low (right).

"There is no question that KPMG would have had complete access to the JV agreement and all relevant material documents that were completed before March 31, 2010, to arrive at its report.

"The apparent attempt to hide these information from the financial statements and the failure to red flag the above transactions meant that KPMG would have failed in its duty to protect the interests of the government and the Malaysian public at large," Pua told a press conference at the DAP headquarters in Kuala Lumpur today.

Pua said in the interest of KPMG's integrity, it should declare its role in the PetroSaudi deal, and if there was any omission or negligence in its audit of 1MDB's accounts.

"Failure to do so would necessitate an investigation into its conduct by the Malaysian Institute of Accountants (MIA), as the statutory body established under the Accountants Act, 1967, to regulate the accountancy profession," he said.

KPMG served as auditor for 1MDB from 2010 to 2012, before it resigned and the task was taken over by Deloitte.

When contacted through email, KPMG declined to comment on Pua's allegation.

"Kindly note that due to client confidentiality and professional body requirements, we are unable to comment on this," said a KPMG spokesperson.

Pua also lodged police report

Yesterday, Sarawak Report revealed more email correspondence between PetroSaudi and 1MDB.

The email included a "notice of drawing" which made reference to the murabaha financing agreement dated June 14, 2010.

Yesterday, Pua lodged a police report on 1MDB's dealings with PetroSaudi and he is expected to give a statement to the police this afternoon.

Also yesterday, the government was given a briefing from 1MDB and it later reiterated that it believed there was no wrongdoing on the part of the Finance Ministry entity.

However, Prime Minister Najib Abdul Razak further instructed the auditor-general to audit 1MDB as an additional measure.

The government also downplayed the PetroSaudi expose, saying that it concerned "third parties" instead of 1MDB.