

Arul: 1MDB auditor quit because audit could not be completed

MalaysiaKini.com

Oct 12th, 2016

The 1MDB auditor Deloitte resigned because it was unable to complete the audit of the state investment fund's 2015 accounts, 1MDB president Arul Kanda Kandasamy said.

Arul Kanda told students at a town hall session at Universiti Malaya in Kuala Lumpur last night that this was because the required documents had been confiscated by the police during a raid in July last year.

"We could not audit the accounts after the company's records had been taken by the police during a raid in July 2015. All the company's records had been taken for further investigation.

"So, although all the accounts had been prepared, the auditor needed the company's documents to conduct the audit. With those documents absent, the audit could not be conducted.

"So, Deloitte had asked to stand down because they could not complete the audit after two years, although they are auditors," Arul Kanda said at the closed-door event on 1MDB for the students.

The event was organised by the Communications and Multimedia Ministry's Special Affairs Department (Jasa), as part of Jasa's 'Jelajah Kampus' series of roadshows.

A video recording of the event was uploaded by the Universiti Malaya Association of New Youth (Umany).

Malaysiakini also obtained a voice recording of the event, although organisers told participants recording were not allowed.

Arul Kanda stressed that Deloitte had only quit being the auditor for 1MDB's parent company, but is still an auditor for 1MDB's Bandar Malaysia and Tun Razak Exchange projects.

He said this when asked by students on why 1MDB's auditors had been changed again and again.

Arul explained that when 1MDB's precursor Terengganu Investment Authority (TIA) was founded, Ernst and Young (EY) were appointed as the first auditor.

However, when TIA was taken over by the federal government and became 1MDB in July 2009, the auditor was changed because the ownership of the company had changed, he said.

KPMG was appointed to replace EY, without EY signing on any of 1MDB's annual reports.

'KMPG signed off unqualified audits'

KMPG had signed off on unqualified audits for 1MDB's annual reports for the financial years ending March 2010, March 2011 and March 2012. EY did not sign off on any of TIA's or 1MDB's accounts.

And when 1MDB bought over Edra Global Energy Bhd's power assets, Arul Kanda said, Deloitte replaced KPMG as 1MDB's auditor.

"1MDB's business had changed when it bought Edra's power stations and assets abroad, and Deloitte, as one of the largest companies in the world offered a proposal that covered all those issues."

Arul Kanda also urged students to read transcripts from the Public Accounts Committee (PAC) hearings on 1MDB, which were available on the Parliament's website.

However, in the PAC's report, the bipartisan committee cited 'growing rifts' between the EY - and later KPMG - with 1MDB as the reason for the auditors' termination.

In each case, EY and KPMG had been **terminated** after they had asked for additional documentary evidence on some issues.

Arul Kanda was also asked about claims that the auditor-general's audit of 1MDB found US\$700 million missing from the state investment fund.

He said that the auditor-general's finding was not that the money was missing, but merely that the sum was 'unverified'.

He said that under the National Audit Department's accounting standards, information requested by the auditors must be submitted within a certain deadline.

However, 1MDB was unable to meet that deadline because its own documents were under police custody and it had to request those documents from third parties.

To complicate matters, Arul Kanda said the National Audit Department wanted the information to be submitted in a particular format.