

# 'KPMG removed by 1MDB'

CFO: Audit firm refused to sign off on accounts, leading to 'impasse'

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**KUALA LUMPUR:** KPMG was replaced as the auditor of 1Malaysia Development Bhd (1MDB) due to an "impasse" that could not be resolved between the audit firm and the company, the High Court has been told.

1MDB's former chief financial officer Azmi Tahir agreed with a suggestion by lawyer Wan Aizuddin Wan Mohammed that it was the sole reason why the sovereign wealth fund switched auditors in 2013.

"I would say it was the impasse," he said here yesterday.

The witness, who was testifying in the RM2.28bil 1MDB trial involving Datuk Seri Najib Razak, was queried over KPMG's audit process on 1MDB between September and November in 2013 where KPMG was particularly "unhappy" with 1MDB's US\$2.3bil (RM7.4bil) investment in Brazen Sky Ltd.

The audit firm had refused to sign off on 1MDB's 2013 financial

***"...they wanted to meet the shareholder (Najib), otherwise they wouldn't sign off"***

Azmi Tahir

statement.

The court had previously heard that Brazen Sky was set up by fugitive financier Low Taek Jho (aka Jho Low) and incorporated in the British Virgin Islands.

"I think the auditors were still unhappy and unsatisfied with the value of the asset," he said.

Azmi said 1MDB had provided as much information "as it could" to KPMG but the firm was still not satisfied with some information on

Brazen Sky.

"We tried as much as possible to give them the information they wanted and address the issue.

"It came to a point they said they wanted to meet the shareholder (Najib), otherwise they wouldn't sign off (on the financial statement)," he said, adding that KPMG was "adamant" about seeing Najib.

The court had previously heard that a meeting between KPMG and 1MDB took place at Najib's Langgak Duta house on Dec 15, 2013.

However, KPMG still did not close off on 1MDB's financial report year 2013 as it was dissatisfied with the documents and the answers given by 1MDB. The firm was later replaced with Deloitte.

Wan Aizuddin: Do you recall what transpired after the meeting with the prime minister that night?

Azmi: (Former 1MDB CEO) Mohd Hazem Abd Rahman called me to his office and said we had to look for a new auditor.

Wan Aizuddin then suggested that the change from KPMG to Deloitte was a "bottom-up process"

where it was initiated by 1MDB's management and approved by the board of directors and the shareholder later.

Azmi however disagreed, saying that he did not know whether it was bottom-up.

"It (the instruction to change auditor) could also be from upstairs and I was told to execute. I didn't propose (the change)," he said.

Wan Aizuddin then told the court that he would leave the rest of his cross-examination for his submission.

Deputy public prosecutor Mohamad Mustaffa P. Kunyalam informed the court that the prosecution will call Datuk Johan Idris of KPMG to testify after Azmi had completed his testimony.

Najib, 69, is on trial for 25 charges in total - four for abuse of power that allegedly brought him financial benefit to the tune of RM2.28bil and 21 for money laundering involving the same amount of money.

The hearing continues before Justice Collin Lawrence Sequerah today.