

KPMG cooked 1MDB's books, Sarawak Report says
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Whistleblower site Sarawak Report has published documents allegedly showing that global auditor KPMG cooked the books when auditing the debt-ridden strategic investor 1Malaysia Development Berhad (1MDB).

In its website, Sarawak Report said that evidence showed "unacceptable and unethical practices", which included actively conspiring to back date documents referred to in the audit report, as well as intervening to retrospectively alter agreements which had been previously signed by 1MDB.

It said the deception centred on the March 31, 2010 date, which was the last day of the accounting period and when the KPMG audit stated categorically that the joint venture between 1MDB and PetroSaudi Holdings had been converted into a Murabaha loan facility.

The annual report said that 1MDB entered a joint venture agreement with PetroSaudi Holdings on September 28, 2009, and on March 31, 2010, 1MDB entered into a share sales letter agreement (SSA) to dispose of its investments in the joint controlled entity for a consideration of over RM4.1 billion.

"By this device, the auditors were enabled to focus in the report solely on the details of the Murabaha loan agreement, which was supposedly the relevant arrangement at the completion of the finance period, giving no details whatsoever of the previous joint venture agreement.

"The fact that US\$700 million (RM2.5 billion) of taxpayers' money had been siphoned out of the fund was therefore entirely glossed over," Sarawak Report said on its website yesterday.

The site reported that DAP lawmaker Tony Pua, who had reviewed the evidence, said it clearly demonstrated that KPMG had worked to assist 1MDB in deliberately hiding the details of its initial joint venture agreement with PetroSaudi.

By these illegal means, Pua said, the fund managers were able to conceal the information that US\$700 million of its original US\$1 billion investment had been siphoned out of the venture.

"It is clear from this evidence that KPMG took an active part in the cover-up" said Pua.

"This involves billions of ringgit of public money that had gone missing, and it requires an immediate investigation, which should include detailed questioning of the KPMG partner who signed off on those accounts, Ahmad Nasri Abdul Wahab."

The other person who signed off on the accounts was former 1MDB chief executive officer Shahrol Halmi, who swore that all the details were correct.

Pua added that Ernst & Young, the audit firm that worked for 1MDB prior to KPMG, should perhaps shed more light on the situation.

Ernst & Young surrendered their position as auditors during the very first audit process, giving way to KPMG amid speculation that it was because they had been unwilling to approve the accounts.

"If this was the case, did they make any report about their concerns and if not, why not?" Sarawak Report said.

1MDB has long been in the spotlight but scrutiny heightened after a series of reports by Sarawak Report, which said that Malaysian businessman Low Taek Jho or Jho Low had orchestrated the 2009 joint venture between 1MDB and PetroSaudi International to allegedly siphon off US\$700 million from the strategic investor.

The UK-based website said that the 1MDB-PetroSaudi joint venture company's US\$700 million loan repayment to PetroSaudi in 2009 was a front and that the funds had been channelled to a firm allegedly owned by Low, called Good Star Limited.

The US\$700 million loan repayment was a provision under the joint venture contract between PetroSaudi and 1MDB, Sarawak Report said, citing documents it had obtained and subsequently published.

Since then, Prime Minister Datuk Seri Najib Razak has ordered the auditor-general to look at 1MDB's books, saying that the A-G report would be passed for transparency inspection to the Public Accounts Committee (PAC), which is fully bipartisan and reflects Parliament's composition.

Prior to Najib's order, PAC said it wanted the national auditor to carry out an audit of 1MDB's deals before it called up the company. – March 21, 2015.

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