

**Stop using Deloitte as a shield and come clean on 1MDB, DAP tells Najib**  
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Datuk Seri Najib Razak should stop using international auditors Deloitte & Co as a shield to deflect criticism against debt-ridden 1Malaysia Development Bhd (1MDB), a DAP lawmaker said today, adding that the prime minister should begin giving "real answers" about the fund.

Petaling Jaya Utara MP Tony Pua (pic, right) said the attempt to use Deloitte as a shield from brickbats received over the state investment vehicle's controversial dealings was "misleading and disingenuous".

"The prime minister must stop misleading the people of Malaysia with half-truths and lies by claiming that being audited by Deloitte is proof that 1MDB is in the pink of health," he said in a statement today.

"While the Umno brethren may not know any better, such attempts to absolve 1MDB and himself from the monster scandal only serve to worsen his credibility and reputation in the financial community."

Yesterday, Najib told a group of former Barisan Nasional lawmakers that Deloitte would not have signed off on 1MDB's accounts if they discovered RM42 billion was lost by the debt-laden government-owned strategic investor.

"There isn't any RM42 billion that has disappeared because the accounts were audited by Deloitte," the prime minister told Mubarak, an association of former lawmakers at the Umno headquarters in Kuala Lumpur.

"Auditors will not sign if even RM1 million is missing. Now it is said that RM42 billion has vanished. How can it vanish? It hasn't vanished, there are assets, there are liabilities."

Deloitte is 1MDB's third auditor since the state investment vehicle was set up in 2009 to spearhead development in strategic sectors. 1MDB's main business is property development and utilities such as power and water plants.

However, Pua rubbished Najib's explanation, saying that if 1MDB were as healthy as it was portrayed to be, there would have been no need for the fund to enlist the help of billionaire tycoon Tan Sr Ananda Krishnan to arrange for an RM2 billion loan to help it settle debts.

"There would also not have been a need for the Cabinet to approve an emergency RM950 million 'standby credit facility' for 1MDB to service its outsized loans," said the DAP national publicity secretary.

He said that Deloitte in fact could have "abetted or assisted" 1MDB in generating their

"unqualified" accounts, noting that such an action would not be the first in the world.

"We have seen how the world's largest auditing firm, Arthur Andersen, collapsed overnight over its role in the multi-billion dollar Enron financial scandal in the United States," he said.

At the very least, he continued, Deloitte had been negligent as 1MDB had failed to generate the necessary funds to repay the RM2 billion loan at the end of November last year, despite Deloitte signing off on its accounts just weeks earlier.

The other scenario could be that the management of 1MDB had misled Deloitte about its accounts, Pua said.

"For example, it was recently exposed by The Sarawak Report that 1MDB's bank statements in BSI Bank, Singapore were purportedly forged and circulated by the top management of 1MDB to secure loans from lending banks.

"Secondly, while Deloitte did sign off on the 1MDB accounts for March 2013 and 2014, it did not mean that there were no questionable elements highlighted in the financial statements," he said.

He added that 1MDB's accounts for 2014 showed that it had RM51.4 billion worth of assets, more than its RM50 billion in liabilities, but that some 26% of these assets (RM13.4 billion) were classified as Level 3 assets.

An asset is classified as Level 3 when "fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs)".

"In other words, the auditors have put on record that they are unable to vouch for the veracity and accuracy of these numbers which were supplied by the 1MDB management.

"Therefore even a mere 20% shortfall in the above Level 3 asset valuation would trigger a severe liquidity crisis by 1MDB, as we witness today," he said.

Criticism has been mounting over the Finance Ministry wholly-owned investment vehicle, established in 2009, which has chalked up debts of up to RM42 billion, backed by Putrajaya.

Scrutiny has grown more intense following Sarawak Report's recent expose, which piled pressure on Najib and prompted opposition politicians, former Umno leaders and anti-graft bodies to demand a thorough investigation into the fund.

Critics like Pua, his opposition colleague PKR's Pandan MP Rafizi Ramli and even former prime minister Tun Dr Mahathir Mohamad have demanded answers from the company and an explanation for the whereabouts of the RM42 billion debt racked up by 1MDB. – May 19, 2015.

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