

Deloitte can no longer claim ignorance over 1MDB's financials, says DAP
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International auditing firm Deloitte cannot claim ignorance over 1Malaysia Development Berhad's (1MDB) financial statements or the latest allegations raised by The Wall Street Journal (WSJ) against the embattled company, DAP said today.

Petaling Jaya Utara MP Tony Pua (pic, right) asked if Deloitte could have been misled by 1MDB or whether it had been negligent concerning the options granted by the troubled state investment vehicle to the International Petroleum Investment Company (IPIC).

"Did Deloitte Malaysia vet the options termination agreement cited by 1MDB, verify the amount which is needed to be paid and confirm with IPIC as to the amount which has been paid by 1MDB?" Pua asked in a statement today.

"Or did Deloitte merely take the word of 1MDB's management as the gospel truth? Deloitte's reputation is seriously at stake today as 1MDB has been leveraging on the presumption that the auditors conducted all the necessary verification and signed off the accounts."

Citing the International Standards of Auditing (ISA) adopted by the Malaysian Institute of Accountants (MIA), the DAP national publicity secretary said that there was no basis for Deloitte to claim ignorance as 1MDB had recently come under scrutiny for various alleged misappropriations.

He said the ISA dictated that "the auditor shall maintain professional scepticism throughout the audit, recognising the possibility that a material misstatement due to fraud could exist, notwithstanding the auditor's past experience of the honesty and integrity of the entity's management and those charged with governance".

It also states that "maintaining professional scepticism requires an ongoing questioning of whether the information and audit evidence obtained suggests that a material misstatement due to fraud may exist.

"It includes considering the reliability of the information to be used as audit evidence and the controls over its preparation and maintenance where relevant. Due to the characteristics of fraud, the auditor's professional scepticism is particularly important when considering the risks of material misstatement due to fraud."

"If Deloitte belatedly discovered that it had been misled by the management of 1MDB given the recent exposes by WSJ and other media, then it is the responsibility of Deloitte to file police reports against those who have provided the fraudulent information given that a crime could have taken place," he said.

On Friday, WSJ reported that another US\$993 million remained unaccounted for, 10

days after allegations surfaced that a US\$1.4 billion (RM5.9 billion) payment had been made by 1MDB to IPIC in 2012.

Deloitte had audited 1MDB's March 2014 financial statement, in which the state fund said the proceeds of US\$1.22 billion derived from the redemption of its investment in the Cayman Islands had been instantly and "substantially utilised to pay debt interest, Aabar options, working capital".

1MDB has described the report as "malicious", similar to its response to the first allegation.

The state fund had previously maintained that its financial statement signed off by auditors accounted for the allegedly missing US\$1.4 billion, and again insisted that its audited accounts clearly described the "source of funding and purpose of payments".

Pua also urged 1MDB yesterday to issue a joint statement with IPIC to refute all doubts and suspicions that billions of the state investor's funds had gone unaccounted for, but the company responded by asking the DAP lawmaker to fix his own scandals first.

Pua said Malaysians had relied on the international auditors to vet 1MDB's financial statements to ensure that its accounts presented a "true and fair" view of the company.

"For the past 6 months, the Deloitte name has been dragged through the mud by 1MDB, where the latter used the international audit firm's reputation as a shield to hide its shenanigans.

"Hence to protect not only its brand name but also the interests of Malaysian taxpayers, Deloitte possesses the grave responsibility to make right what was wrong and play its role to ensure those who defrauded the nation will pay for their crimes," he said. – September 21, 2015.

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