

**A-G interim report on 1MDB shows KPMG alarmed over Caymans dealings, says paper
Malaysian Insider
Nov 3, 2015**

The Auditor-General's (A-G) interim report on 1Malaysia Development Berhad (1MDB) showed that the firm's second auditor KPMG was unhappy when the state-owned investor refused to supply documents for it to assess its US\$2.3 billion (RM9.8 billion) funds held in the Cayman Islands, the Financial Times reported.

Citing the document, which was submitted to Parliament's Public Accounts Committee (PAC) in on July 9, the business newspaper in an October 30 report said the Caymans investment was linked to a joint venture formed with PetroSaudi International in 1MDB's early days in 2012.

1MDB then sold equity and debt interests linked to the PetroSaudi venture to Bridge Partners International Investment, generating US\$2.3 billion of proceeds in the form of promissory notes, the A-G's report had said.

1MDB used these notes to buy portfolio investments in a Cayman-registered company called Bridge Global Absolute Return Fund SPC. The purchase was made through a 1MDB subsidiary called Brazen Sky.

KPMG, which was then auditor for the Finance Ministry-owned firm, had raised an "early alarm" about the Caymans investment, the A-G's interim report had also said.

"The accounting firm was unhappy because 1MDB would not give it documents it wanted to help it assess the ownership of the investments, their value and Bridge Global's financial standing," the Financial Times said, based on the A-G's report.

KPMG's services as auditor were stopped on December 31, 2012, becoming the second auditor to be terminated by the firm.

1MDB's 2012-13 accounts were the signed off by Deloitte. All three international auditors declined to comment when approached, Financial Times said.

The A-G's interim report is supposedly still under wraps as Parliament's Standing Orders prevent "evidence taken before any Select Committee and any documents presented to such Committee shall not be published by any member of such Committee, or by any other person, before the Committee has presented its Report to the House".

1MDB last month filed a police report over leaked confidential information about the firm, which has RM42 billion in debts, and is currently undergoing a restructuring exercise ease its debt burden.

The firm said it lodged a police report after Bank Negara Malaysia investigation documents were used in exposes by whistleblower website Sarawak Report, and after

the A-G's interim report ended up with The Wall Street Journal, which also said it had seen transcripts of PAC proceedings. – November 3, 2015.

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