

**1MDB: Failure to Heed Board Decisions Led To Weakness in Governance – PAC
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KUALA LUMPUR, April 7 (Bernama) -- Failure to adhere to decisions and instructions of the Board of Directors was among the practices that led to weaknesses in governance at 1Malaysia Development Bhd, the Public Accounts Committee announced today.

In the 1MDB Governance Management Control Report released in the Dewan Rakyat today, PAC said that as a government strategic investment company, 1MDB should have adopted best practices in the principles of governance.

"Having examined the final report of the National Audit Department and the proceedings of the PAC, the PAC found that several practices of the 1MDB management and Board of Directors had led to weaknesses in governance.

"For example, the management had on several occasions failed to abide by the decisions and instructions of the Board of Directors or had acted prior to special approval from the Board of Directors," said the 106-page report.

The report said several investments and huge loans were executed without detailed evaluation (including studies on the impact on the company's cash flow) and some major decisions had been made by way of written resolutions based on discussions at previous meetings.

"The Board of Directors was too dependent on the management and often received explanations of the management, without studying the issues that arose," the report said.

PAC also reportedly found the 1MDB Group capital funding structure and financial performance to be less satisfactory.

According to the report, 1MDB depended on debts (bank loans, bonds and sukuk) as the company's capital, where a portion of the debts bore government guarantees or government letters of support.

"The debts started at RM5 billion in 2009 and rose to RM42 billion, compared with assets of RM51 billion, in fiscal year ended 31.03.2014, where 1MDB spent RM2.4 billion for interest payments on debts.

"In January 2016, 1MDB debts reached RM50 billion, compared with assets of RM53 billion, where 1MDB spent RM3.3 billion for interest payments on debts between 1 April 2014 and 31 March 2015 (unaudited estimates).

"It is clear that the level of debts and interest payments were too high compared with the company's cash flow," the PAC said in the report.

According to the report, 1MDB depended on refinancing for repayment of matured loans and obtained new loans to, among others, repay interest payments for previous loans.

On March 4, 2015, Prime Minister Datuk Seri Najib Tun Razak instructed the Auditor-General to independently verify 1MDB accounts following allegations of financial mismanagement and fraud.

According to a statement from the Prime Minister's Office then, the Auditor-General's report would be passed for transparent inspection to the bipartisan PAC.

The PAC chairman is Barisan Nasional MP for Rompin Datuk Hasan Arifin and the vice-chairman is DAP MP for Kepong Dr Tan Seng Giaw. The committee members comprise eight MPs from the BN, two from PKR and one each from DAP and PAS.

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