

PAC Asks Authorities to Investigate 1MDB Ex-CEO, Relevant Officials

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KUALA LUMPUR, April 7 (Bernama) -- The Public Accounts Committee (PAC) today asked the authorities to investigate former 1Malaysia Development Bhd (1MDB) chief executive officer Datuk Shahrol Azral Ibrahim Halmi and other relevant officials.

In the 1MDB Governance Management Control Report released in the Dewan Rakyat today, the PAC said Shahrol Azral must take responsibility for the government-owned strategic investment company's weaknesses and shortcomings.

On Nov 25 and Nov 30, 2015, Shahrol Azral was called by PAC to brief and provide it with an explanation.

Meanwhile, in a statement also issued today, PAC chairman Datuk Hasan Arifin said it was imperative for the authorities to carry out further investigations and take action should they discover any wrongdoing.

PAC, in the report, further recommended for the 1MDB Advisory Board to be abolished.

"Every reference to the Prime Minister should be replaced with 'Finance Minister' in accordance with provisions in other Finance Ministry corporations," according to PAC in its 1MDB Governance Management Control Report issued in the Dewan Rakyat today.

The report was also uploaded on www.parlimen.gov.my website of Parliament.

Article 117 under the 1MDB Memorandum and Articles of Association provides for the appointment and dismissal of its top management.

The article also provides for any financial commitment made by 1MDB, including 1MDB investment decisions that can impact federal government guarantees, to have the prime minister's written approval.

PAC said in the report that 1MDB had on certain occasions failed to abide by the decisions and directives of its Board of Directors or acted without getting prior approval from the board.

"A number of investments and sizeable loans were made without indepth study (including on their impact on the company's cash flow), and other major decisions were made through written resolutions," said the report.

The PAC was also of the view that excessive debts in capital structure should never be allowed, more so when the company did not have sufficient cash flow.

It also recommended more stringent monitoring by the board of directors, including questioning asset purchase prices and cost of debt.

Nevertheless, the PAC found that the government had taken immediate steps to fix the company's cash flow problems which began to emerge in November 2014.

Following this, a new top-level management was put in place at 1MDB, and a rationalisation plan was presented to the Cabinet on May 29, 2015.

According to the report, 1MDB depended on credit (bank loans, bonds and sukuk or Islamic financial certificates) as company capital, part of which was obtained with government guarantees or support letters.

The PAC also recommended that the company's subsidiaries and 1MDB Group's assets (TRX, Bandar Malaysia, Air Itam Land, Pulau Indah land) be handed over to the Minister of Finance (Incorporated) for better monitoring and management.

"Indeed, 1MDB's experience received wide public and international attention. This is a lesson to all government-linked companies in the country on the importance of practising efficient governance and integrity. The experience is also relevant to the government, ministries, departments and agencies," the report said.

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 issued then by the Prime Minister's Office, 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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