

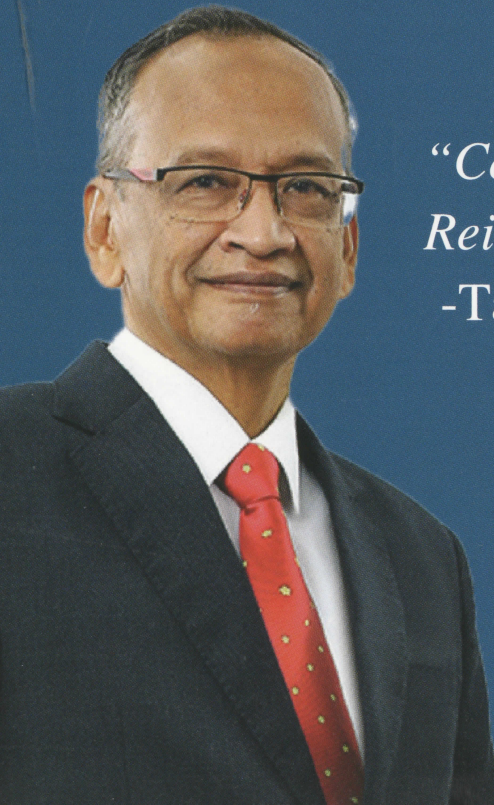
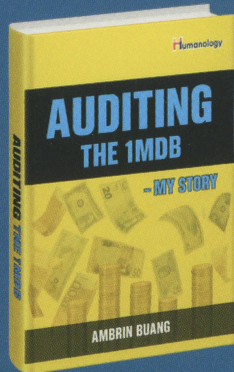
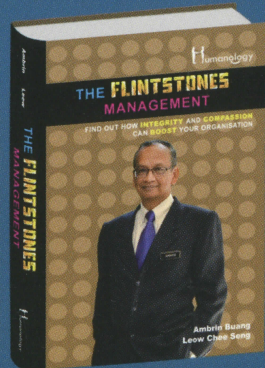
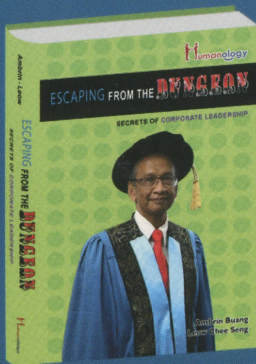
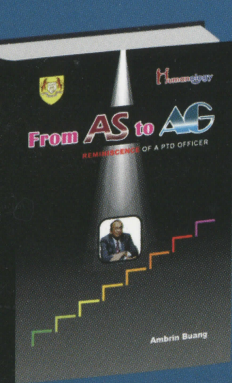
# AUDITING THE 1MDB

- MY STORY

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## **A Giant Among Men: An Auditor With Impeccable Integrity**

**Foreword by Johan Jaaffar**

This is a book unlike any other. Auditing The 1MDB: My Story is laden with facts, figures and more facts and figures. It is an eye-opener but more precisely, jaw-dropping for what it reveals. Despite the fact that most of the content is already known, it is still intriguing and shocking. Much of the information detailed here is already in the public domain, some has been exposed in court, while other information has filled the pages of countless books, news items, articles and commentaries. The issues pertaining to 1MDB - one of the greatest financial debacles known to mankind - have been discussed openly in the mainstream media and social media.

Within these pages is the personal story of a man with impeccable integrity, coming to terms with the realities of a politically-laced business venture that went horribly wrong. Caught amidst the whirlwinds of a monumental financial scandal, he is challenged to stay true, unwavering and professional. In those dark times he was expected to uphold his oath of office as an Auditor General, first and last. That despite temptations to sway from the principles he had been clinging to the many years he was in office.

Ambrin Buang is no ordinary bloke. He is a man synonymous with tenacity, dedication and above all, integrity. He is an exemplary civil servant serving the nation for 35 years and another 11 remarkable years as Auditor General. He is certainly the best known Auditor General the country has ever known.

He is the face of what is expected of good governance and best practices. For more than a decade he was probably the most feared officer in the land. His yearly reports were much awaited: for the public a hint at how public money is spent (wisely or otherwise), for civil servants a dreadful reminder of how not to be on the opposing end of Ambrin's brutal and uncompromising assessments.

The Opposition will use the findings as an arsenal to prove how inefficiency, wastage and complacency are ruining the nation. For the government of the day it is a painful reminder that a high-ranking official could wreck havoc, even costing precious votes in elections.

For many years Ambrin was the beacon of hope in a country where corruption, misuse of power and misappropriation of funds are still rampant. He is the Gandalf of the auditing fraternity; unafraid, even when facing the darkest and the most terrifying villains. But he is fair too, and reasonable. He provides solutions, alternatives and suggestions. He expects improvements.

Year after year Ambrin and his colleagues from Jabatan Audit Negara (JAN, or National Audit Department) were doing what was expected of them - conducting audits at three levels of government- federal, state and local. They did attestation audits, compliance audits, performance audits and company audits. For many years he spoke about poor quality works, hanky-panky in the procurement processes, dubious tender awards, possible fraud and even corruption.

The people were shocked by some of the findings. The government machinery promised to improve its ways and means. The Opposition had their best days of the year lambasting the government using Ambrin's reports. But very seldom improvements were in sight. We don't remember officers being charged or those higher-ups (including ministers who were accountable) ever admitting to wrongdoings. Life goes on, so to speak, the show is never interrupted by reprimands and jail-terms. The business of governing and managing the nation muddles on, just like show-business.

According to Ambrin in his previous book *From AS to AG: Reminiscence of a PTD Officer*; "... mistakes keep being repeated because there was no serious effort at the departmental or individual level to learn from the lessons of the past, as well as lacking a commitment to adopt good practices." (p82/83).

He was appointed the Auditor General on February 23<sup>rd</sup> 2006 during the time of the late Tun Abdullah Ahmad Badawi. Some of his predecessors were legends in their own rights, like Tan Sri Ishak Tadin and Tan Sri Ahmad Noordin. But it was the latter who had a big influence on him. Ahmad Noordin famously headed the Committee of Enquiry into the Bank Bumiputera Finance (BMF) scandal. The case attracted a lot of attention, both locally and internationally for the loss of a RM 2.5 billion (a huge sum of money back in 1984) and the murder of an internal auditor, Abdul Jalil Ibrahim.

Ambrin had his first taste of unintended notoriety when he presented his first report in 2007. As the infamous line in newspapering goes, bad news is good news. It was a year the humble "screwdrivers" (yes, those!) became an object of infamy. The report highlighted the case of *Institut Kemahiran Belia Negara (IKBN)*, the national youth skill centre buying screwdrivers and other equipment at ridiculously high prices. The "screwdriver scandal" attracted people who otherwise were not interested to read or hear the AG's report. It was a national sensation beating the ratings of some hugely popular *drama swasta* (commercial dramas) aired on TV at the time. From then on, Ambrin's reports were anticipated with bated breath. There were collective sighs when things touted out reasonably well and collective groans when he pointed out outrageous wastages and inefficiencies.

Ambrin became a household name. Over the years as Auditor General, he was best remembered for the Port Klang Free Zone (PKFZ), the National Feedlot Corporation Berhad (NFC) and particularly the 1MDB scandals. Although the PKFZ case started earlier, it exploded during his time. NFC is a curious case of good intentions going awry. NFC attained notoriety for the cows it did not possess and the apartment they bought which was meant for "investment."

1MDB has impacted upon him in more ways than one, even threatening to tarnish his otherwise stellar performance as Auditor General. 1MDB became a celebrated court case followed by millions the world over. It involved the most powerful man in the land. Eventually the Prime Minister who was largely responsible for the case was incarcerated in prison, the first former PM ever to endure such an indignity.

But Ambrin has a long history scrutinising the finances entrusted by the people to the government officers. It was a tall order to perform the simple task to audit the public sector. What should have started with a competent internal audit didn't work the way it should. Ambrin has always argued for the strengthening of internal audit, the first line of financial scrutiny for government departments. In fact it was in 2012 based on his suggestion that internal auditors are to allocate at least 30 percent of their time and resources to audit the procurement activities of ministries and departments.

He wrote, "This is because procurement remains a major risk area in the public sector in terms of fraud and corruption, and leakages and internal auditors should complement the JAN in monitoring this very important activity which had given the government a major challenge in terms of transparency and integrity." (p89).

It is easier said than done. In most financial scandals, there is always the involvement of politicians - from BMF, deposit taking cooperatives, Pan-Electric Industries, PKFZ and NPC to 1MDB. Name one that doesn't. Politicians' hands are everywhere in many processes-from approving projects, clearing procurement even deciding on tenders. In most cases the hands of politicians are not seen. One phone call as instruction and the poor senior officer will have to execute the order. It is their signatures on the dotted line, not their bosses. There are cases where senior government officers- some are honourable ones - who took the rap while their bosses got away, scot-free. Not a blemish on their reputation.

Even internal auditors are known to be intimidated, to submit to the whims and fancies of their bosses, some of them officers higher-up, who either benefited personally or were acting on behalf of the political masters. Few ministers have been held accountable for their deeds. Unlike the more stringent auditing structure in the private sectors, especially companies listed on the bourse, the ways of the old still rule the civil service's auditing regime.

Thus, when JAN came out with their findings, the nation was horrified. But the cozy relationship between power and the administrative arm of the government make it difficult to reprimand the culprits. We have perfected the art of *tak buat apa ok saja* in this country. Thus, the nurturing of scandals as horrifying and shameful as 1MDB. 1MDB could have been avoided. That is the premise of this little but important book by Ambrin. This is a book to remind us how critical it is to ensure transparency, good governance and practices. There are many lessons to be learned from 1MDB.

For Ambrin it is a personal journey of trials, tribulations, and eventually relief. It is a narrative replete with shock, horror, disgust and accusations that have impacted on him tremendously. It is also an admission of how he felt when accused of conduct unbecoming for a man of his reputation. He was in the thick of things in the 1MDB case - auditing-wise. It was exhilarating, challenging yet painful for him.

In the preface he acknowledges that 1MDB has indeed put Malaysia in a very bad light internationally. The very adverse impact of the scandal politically on the politics and economy of Malaysia is far ranging.

According to him, although JAN was given the responsibility to audit the company in March 2015 and tabled the report in 2016, his involvement with 1MDB started six years earlier. This is a frank account of his personal involvement from the days he and his colleagues were requested to audit and provide due diligence on 1MDB which was established following the takeover of Terengganu Investment Authority (TIA) by the Ministry of Finance Incorporated (MoF Inc).

After many months of toils and sweats having to face a non-cooperative company, hindered by layers of secrecy, prying senior officers, shifting of goal posts and insidious attempts to derail the process, they tabled the interim report in July 2015 and the Final Report in March 2016. In this book he reveals that 1MDB is not an ordinary company of MOF Inc. "Not only because it enjoyed many privileges and government assistance through guarantees but the fact that information regarding the affairs of the company must be filtered and approved by the Prime Minister's Office which Finance Ministry officials monitoring government companies hardly know the affairs of the company since there are no treasury representation on the board of directors."

1MDB was doomed from the start. *Betapa berat mata memandang berat lagi bahu memikul* (however heavy the eye can witness, it is heavier to carry the burden) is a Malay proverb that aptly explains the dilemma of the courageous men and women investigating and auditing the 1MDB. Ambrin and his people knew the consequences. But they soldiered on. Their report should be the proof of what actually happened. Facts don't lie. Figures are the smoking gun. The nation was waiting for Mr. Righteous to tell them what was happening - another showcase of insurmountable expectation from the public. They had been told half-truths and outlandish lies before. Now the truth, nothing but the truth.

And Ambrin wanted to safeguard his findings too. The moment there was indication of a compromise or allegation of a whitewash, JAN and him will be pilloried by the

public. That is why Ambrin wanted the Final Report to be declassified once the PAC had completed their deliberations. And after they produced their own report to Parliament.

But even at the PAC level, all was not well in the state of Denmark. There was in fact a change of leadership at the helm of PAC.

The PAC Report was 340 pages thick, the main report was only 102 pages, the rest was made up of proceedings, annexes and such. Shockingly the JAN's report was not attached to the main report. Such was how his report was treated. By then 1MDB had developed into a full blown scandal.

He has built his reputation as a personality that symbolises integrity and professionalism at the highest order.

This is the story of how he fought to regain his reputation. However it was the lengthy 1MDB trial that helped exonerate all the nefarious agendas against him and to prove once and for all that like a true PTD officer, he was steadfast in his belief that no amount of interference, character assassination attempts and threats could deter his commitment to his work.

He was just doing his job. And doing it right and well. That is Ambrin's legacy in the public service.

This book is a must-read for every Malaysian.

**Tan Sri Johan Jaaffar is a National Journalism Laureate. He was formerly the Chief Editor of the Utusan Melayu group in the 90s, former Chairman of DBP and former Chairman of Media Prima Berhad. He was a columnist for the New Straits Times for 13 years and is still contributing for The Star and Sinar Harian.**



# FOREWORD

This book suggested for a very strong need for any system to establish a strong institutional arrangement within a country. In essence, an institutional arrangement designed within the framework of a country's constitution can provide the necessary structural framework and the specific mechanisms essential for a system of checks and balances. A strong arrangement is a cornerstone of good governance to prevent the abuse of power and significantly curb corruption by promoting accountability, transparency and adherence to the rule of law. A carefully design and effective functioning of these institutions are crucial for a healthy and strong democratic society.

In this respect, Jabatan Audit Negara, an institution of over 100 years, acts as an independent oversight body, holding the executives accountable for the management of public funds and resources. Through its audits and public reporting, it provides crucial information to Parliament and the public, enabling the relevant institutions to exercise their roles in a democratic system and contributing significantly to the check and balance mechanism in Malaysia.

The book offers the future generation on what are required to prevent future occurrence of a similar case. A firm belief in the need for a strong mechanism will serve the country well. It is imperative that students and accounting practitioners read this book to learn and understand the important lessons needed to avoid pitfalls that could damage the future of this country.

**Muhammad Ibrahim**

Former Governor Bank Negara Malaysia

# PREFACE

By far, the 1Malaysia Development Berhad (1MDB) scandal has been the most challenging assignment for the government auditors in the Jabatan Audit Negara or National Audit Department (NAD). Touted by the international media as one of the biggest financial scandals globally, the scandal has indeed put Malaysia in a very bad light internationally but more importantly, the very adverse impact of the scandal on the politics and economy of Malaysia are far-reaching indeed and are very well documented. There are already a few books written about the scandal such as the “Billion Dollar Whale; The Scandal that brought down a Government; From BMF to 1MDB”; the Sarawak Report and articles in the international press such as the Wall Street Journal, New York Times etc. However, since I was directly involved in spearheading the auditing of the company, I thought it would be appropriate for me to share my experience and perspectives with the public in the form of a book. Especially when our audit report has become a controversial issue in the eyes of the public in 2019 when a former Primer Minister was charged in the High Court for alleged ‘tampering’ of our audit report.

Although we audited the company in March 2015 and tabled the report in March 2016, my involvement with 1MDB was actually in six years earlier in 2009 when the Ministry of Finance/Treasury requested NAD to audit and do a due diligence on 1MDB which was established following the takeover of Terengganu Investment Authority (TIA) by the Ministry of Finance Incorporated (MoF Inc.). Even then, the Public Accounts Committee (PAC) of the Malaysian Parliament has begun to enquire about the company, since the Auditor-General is an ex-officio member of PAC, I was able to closely follow the PAC proceedings in the enquiry into 1MDB.

The general public was not aware of NAD earlier involvement with 1MDB. Six years later the NAD audit team was officially onboard in March 2015 to conduct an audit of 1MDB foreign investment as requested by the PAC (Public Accounts Committee) and to verify the company's accounts as mandated by the Federal Cabinet. At that time, allegations against 1MDB were already raised in Parliament and in the media. The team encountered many obstacles during auditing the company and we concluded our work after much delay. We had to table an interim report to the PAC in July 2015 and the Final Report in March 2016. The Final Report was classified by us as a secret document under the Official Secrets Act (OSA) after the Interim Report was leaked to the press. It was our intention for the Final Report to be declassified once the PAC has completed their deliberations on the Final Report and produced its own report to Parliament.

The Final Report has elicited several controversies. Firstly, contrary to our expectations, the Final Report was not annexed to the PAC Report, thus the members of Parliament would not know the contents of the Final Report, so too for the general public who must be very curious about our findings. Secondly, because the Final Report remained as a classified document, the authorities like the MACC, the Police and Bank Negara Malaysia (BNM) to our knowledge did not follow up with us on the Final Report, thus no real investigations were carried out by them. Only when the then Federal Government lost its majority in the 14th General Elections in May 2018 and the new Prime Minister ordered the Final Report to be declassified, did the MACC follow up on the Final Report and some of our team members were requested to assist in its investigation.

Then there was a bombshell in November 2018 when the then Auditor-General publicly alleged that the Final Report has been 'tampered' before its submission to the PAC in March 2016. This caused consternation to us and the public and the MACC to swiftly summon several of us to assist in its investigation which later led to the former Prime Minister and the former CEO of 1MDB to be arrested and charged in court for their roles in the alleged tampering at a time when the former Prime Minister was already facing several corruption and money-laundering charges. Some of us had to testify in court as prosecution witnesses for the audit report tampering case. Thus, beyond our expectation, our audit report on 1MDB itself has suddenly become a subject of controversy and it

is important for us to clarify it to the public and put on record our perspectives on the controversies surrounding our report.

We reckon that it is very important that as the 1MDB scandal per se and our audit report has dramatically connected us to several controversies, there is a real need for us to put on record our own perspectives and opinions on the various issues, events and episodes surrounding the audit of 1MDB and to clarify to the public any misperceptions against us. Hence that is the motivation driving us to writing this book.

I mooted the idea of writing this book soon after my retirement as the Auditor-General of Malaysia in February 2017 in appreciation of the role of the National Audit Department (NAD) in the 1MDB scandal. At that time there was much curiosity about our audit report on the company since it was still classified as a secret document under the Official Secrets Act (OSA) after tabling the report to the Public Accounts Committee (PAC) of the Malaysian Parliament in March 2016. Then, in November 2019, the alleged tampering of our report surfaced leading to investigation by the authorities and my colleagues, and I had to testify as prosecution witnesses in the high court when a former Prime Minister and former CEO of the company were prosecuted for the alleged tampering. Only when the case was finally disposed of in March 2023, I was able to focus on writing this book.

I am particularly grateful to members of the auditor's team, especially to Datin Paduka Ong Swee Leng, Puan Hajah Saadatul Nafisah Bashir Ahmad, and some team members (who prefer to remain anonymous) for their tireless efforts. This book is also a tribute to all team members for their gallant efforts for which the NAD should always be proud of. Special thanks to Humanology Sdn. Bhd. for undertaking the publishing task.

I hope that this book will also be a useful reference to the students of accounting and auditing in understanding the role of the NAD in this widely published scandal.

# THE MANDATE

The audit mandate was given under Article 106 of the Federal Constitution, Section 5 (1) of the Audit Act and Audit Order (Companies Account) 2013 (P.U. (A) 326).

Article 106 of the Federal Constitution Part (2) states that the Auditor General shall perform such other duties and exercise such powers in relation to the accounts of the Federation and of the States and to the accounts of other public authorities and of those bodies which are specified by the order made by the Yang Di-Pertuan Agong as provided by the federal law.

Section 5(1) of Audit Act 1957 [*Act 62*] states that Auditor General shall in such manner as he may deem fit examine, enquire into, and audit the accounts of any other body, including a company registered under Companies Act 1965 [*Act 125*] in receipt of a grant or loan from the Federation or a State and including also a company where more than half of the paid-up capital is held by the Federation, a State or a public authority or is held in an aggregate by two or more of them provided that the Yang Di-Pertuan Agong specifies by order under Article 106(2) of the Federal Constitution and notwithstanding any law relating to the audit of the accounts of any such body. Audit Order (Companies Account) 2013 states that the Auditor General shall examine, enquire into and audit the accounts of companies mentioned in the schedules.

On 27 February 2015, the Public Accounts Committee (PAC) made a request to the Auditor General to carry out the audit on 1Malaysian Development Berhad (1MDB). The focus of the audit shall be on the following aspects:

- i. The source of the fund amounting to RM2 billion used by 1MDB to repay loans taken from local institutions.
- ii. New capital fund injection from the Ministry of Finance amounting to RM3 billion.
- iii. Agreements related to the 1MDB's investment in PetroSaudi.
- iv. Whether the money invested by 1MDB in Cayman Island has been brought back to Malaysia.
- v. The change of international audit firms engaged to sign off 1MDB's financial statements.

On 4 March 2015, the Cabinet also resolved that the Auditor General will verify the company's financial statements and the report on the said review shall be tabled to the PAC. Subsequently, I formed the audit team consisting of the following auditors from the various divisions of NAD:

1. Datin Paduka Ong Swee Leng
2. Puan Hajah Saadatul Nafisah Bashir Ahmad
3. Puan Nor Salwani Muhamad
4. Puan Nadhirah Abdul Wahab
5. Puan Farizah Harman
6. Puan Suraya Adnan
7. Cik Lim Sok Kiang
8. Puan Nik Mazian Mohammad
9. Encik William Yapp Thou Kiong
10. Encik Asrul Izeham Yacob
11. Puan Nur Aziella Mohd Zulkefli
12. Puan Aziatul Akmam Atan
13. Encik Mohd Fadhli Khalid
14. Puan Nurul Hana Radzi

# AUDITING THE 1MDB

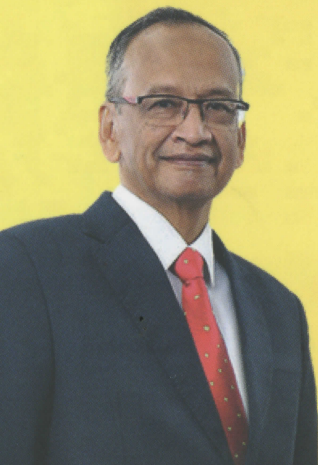
## -MY STORY

Tan Sri Ambrin Buang has served 11 years as Malaysia's Auditor-General following his retirement as a PTD officer (administrative and diplomatic service) in March 2006. As a PTD officer he has served in various capacities in the public service for 35 years beginning April 1971 as an Assistant Secretary, Ministry of Commerce and Industry. He retired as the Secretary-General of the Ministry of Education.

He was involved in the audit of several high - profile cases during his AG Days such as 1MDB, PKFZ and National Feedlot Corporation.

In 2018 he was appointed by the Federal Government as Chairman of the Special Investigative Committee for Governance, Procurement and Government Finance.

He has published several books with Humanology including The Flintstones Management in 2018, From AS to AG: Reminiscence of A PTD Officer in 2021 and Escaping From Dungeon: Secret of Corporate Leadership, in 2022.



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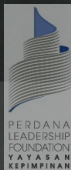
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