



MALAYSIA

LAPORAN PROSIDING (HANSARD)

Selasa, 8 Mac 2022

Bil. 1(j)/2020

MESYUARAT JAWATANKUASA KIRA-KIRA WANG NEGARA

**Prosiding:
Perolehan LCS**

- 1. Boustead Heavy Industries Corporation Berhad**
Dr. Salihin bin Abang
Pengarah Bebas Bukan Eksekutif
Puan Hajah Saadatul Nafisah binti Bashir Ahmad
Pengarah Bebas Bukan Eksekutif
- 2. Alliance IFA (M) Sdn. Bhd.**
Tuan Prabhat Kumar
Pengarah Eksekutif
Encik Prakashchandra Bhagwandas Chetwani
Pengurus

**PENGGAL KELIMA,
PARLIMEN KEEMPAT BELAS**

**MESYUARAT JAWATANKUASA KIRA-KIRA WANG NEGARA
BILIK MESYUARAT JAWATANKUASA 1, TINGKAT 2 BLOK UTAMA
BANGUNAN PARLIMEN, PARLIMEN MALAYSIA
SELASA, 8 MAC 2022**

AHLI-AHLI JAWATANKUASA

Hadir

- YB. Tuan Wong Kah Woh [Ipoh Timur] - *Pengerusi*
YB. Datuk Seri Panglima Hajah Azizah binti
Datuk Seri Panglima Mohd Dun [Beaufort] - *Timbalan
Pengerusi*
- YB. Puan Nurul Izzah binti Anwar [Permatang Pauh]
YB. Dato' Haji Mohd Fasih bin Mohd Fakeh [Sabak Bernam]
YB. Datuk Wira Dr. Mohd. Hatta bin Md. Ramli [Lumut]
YB. Tuan Ahmad Tarmizi bin Sulaiman [Sik]
YB. Tuan Haji Ahmad bin Hassan [Papar]
YB. Tuan Lukanisman bin Awang Sauni [Sibuti]

Tidak Hadir [*Dengan Maaf*]

- YB. Dato' Mohd Nizar bin Haji Zakaria [Parit]
YB. Puan Wong Shu Qi [Kluang]
YB. Tuan Ahmad Fadhli bin Shaari [Pasir Mas]
YB. Dato' Ramli bin Dato' Mohd Nor [Cameron Highlands]
YB. Datuk Seri Haji Salim Sharif [Jempol]
YB. Datuk Haji Shabudin bin Yahaya [Tasek Gelugor]
YBrs. Tuan Nizam Mydin bin Bacha Mydin - *Setiausaha*

URUS SETIA

- Encik Ahmad Johan bin Mohd Affandi [Ketua Sekretariat Jawatankuasa Kira-kira Wang Negara, Parlimen Malaysia]
Puan Siti Noor Akmar binti Zulkafli [Juruaudit Pejabat Jawatankuasa Kira-kira Wang Negara, Parlimen Malaysia]
Puan Aidahanie binti Baharuddin [Penolong Setiausaha (Seksyen Jawatankuasa Pilihan) (Bahagian Pengurusan Dewan Rakyat) Parlimen Malaysia]
Encik Muhammad Zydil Iman bin Zulkefli [Juruaudit (Seksyen Jawatankuasa Pilihan) (Bahagian Pengurusan Dewan Rakyat) Parlimen Malaysia]

HADIR BERSAMA

Jabatan Peguam Negara

- Puan Zarinah binti Mat Jailaini [Ketua Unit (Sektor Penasihat) (Bahagian Penasihat) Unit Projek Khas, Jawatankuasa Khas / Majlis Khas]

HADIR BERSAMA (*samb/-*)**Suruhanjaya Pencegahan Rasuah Malaysia (SPRM)**

Tuan Mohamad Khairol Mohamad [Penolong Ketua Pesuruhjaya]

Tuan Mazery bin Mohd Zaini [Penolong Pesuruhjaya]

Kementerian Kewangan

Encik Zainudin bin Suleiman [Timbalan Setiausaha Bahagian Kawalan Kewangan Strategik dan Korporat (BKSK)]

Jabatan Akauntan NegaraPuan Zyerullida binti Shahrudin [Ketua Penolong Pengarah Kanan WA54 (KUP)
(Bahagian Perkhidmatan Operasi Pusat Dan Agensi (BPOPA), Unit Pengurusan Akaun Amanah]**Unit Perancang Ekonomi Jabatan Perdana Menteri**

Encik Khairul Wari bin Abdul Rani [Timbalan Pengarah Bahagian Keselamatan dan Ketenteraman Awam]

SAKSI**Boustead Heavy Industries Corporation Berhad**

YBhg. Dr. Salihin bin Abang [Pengarah Bebas Bukan Eksekutif (BHIC)]

Puan Hajah Saadatul Nafisah binti Bashir Ahmad [Pengarah Bebas Bukan Eksekutif (BHIC)]

Alliance IFA (M) Sendirian Berhad

Tuan Prabhat Kumar [Pengarah Eksekutif Alliance IFA]

Encik Prakashchandra Bhagwandas Chetwani [Pengurus Alliance IFA]

LAPORAN PROSIDING

MESYUARAT JAWATANKUASA KIRA-KIRA WANG NEGARA PARLIMEN KEEMPAT BELAS, PENGGAL KELIMA

Selasa, 8 Mac 2022

Bilik Jawatankuasa 1, Parlimen Malaysia, Kuala Lumpur

Mesyuarat dimulakan pada pukul 10.36 pagi

[Yang Berhormat Tuan Wong Kah Woh *mempengerusikan Mesyuarat*]

Tuan Pengerusi: Salam sejahtera, selamat pagi dan selamat datang saya ucapkan kepada Yang Berhormat Datuk Seri Panglima Hajah Azizah, Naib Pengerusi PAC, Yang Berhormat Ahli-ahli Jawatankuasa Kira-kira Wang Negara (PAC) Parlimen Keempat Belas, selamat datang juga saya ucapkan kepada semua ex officio yang terdiri daripada AGC, JPA, MOF, Jabatan Akauntan Malaysia (JAN), Suruhanjaya Pencegahan Rasuah Malaysia dan Unit Perancang Ekonomi, JPM. Terima kasih kerana hadir dalam mesyuarat prosiding pada pagi ini.

Sebagai rekod, hari ini 8 Mac 2022 adalah Sambutan Hari Wanita Peringkat Kebangsaan dan saya mengucapkan Selamat Hari Wanita kepada semua dan terima kasih atas segala jasa dan budi kepada negara.

Yang Berhormat ahli-ahli mesyuarat sekalian, seperti yang sedia maklum PAC pada pagi ini akan meneruskan prosiding berhubung perolehan enam buah kapal LCS bernilai RM9 bilion. Ini merupakan prosiding yang kesembilan ya dan prosiding pertama kita diadakan pada 18 November 2020.

Pada 25 Januari 2022, jawatankuasa ini telah mendengar penjelasan daripada Yang Berhormat Menteri Pertahanan serta Yang Berbahagia Dato' Sri KSU MINDEF. Manakala *site visit* ke Boustead Naval Shipyard di Lumut telah diadakan pada 10 Disember 2021. Isu ini dilaporkan dalam LKAN tahun 2019, pengauditan pematuhan kementerian dan jabatan persekutuan yang dibentangkan kepada PAC pada 5 November 2020. PAC juga mengambil maklum berkenaan dengan tindakan SPRM yang sudah menahan reman beberapa orang individu yang dikait dengan perolehan projek ini pada bulan Januari yang lepas.

Pada hari ini, hadir di depan PAC adalah Yang Berusaha Dr. Salihin bin Abang, Pengarah Bebas Bukan Eksekutif, Boustead Heavy Industries Corporation (BHIC); juga Yang Berusaha Puan Hajah Saadatul Nafisah binti Bashir Ahmad, Pengarah Bebas Bukan Eksekutif, BHIC. Terima kasih saya ucapkan kepada kedua-dua saksi yang hadir pada pagi ini. Untuk pengetahuan ahli-ahli mesyuarat sekalian,

BHIC mempunyai 20 peratus kepentingan dalam BNS dan saya difahamkan bahawa BHIC juga bertanggungjawab kepada segala urusan pentadbiran BNS dan mungkin kedua-dua saksi boleh memberikan pencerahan dan penjelasan lanjut berkenaan dengan *structure* dalam prosiding nanti.

Kedua-dua saksi yang hadir juga adalah ahli Jawatankuasa Audit BHIC dengan Dr. Salihin sebagai Pengerusi Jawatankuasa Audit dan kedua-dua diberikan mandat oleh Lembaga Pengarah BHIC untuk melakukan pengauditan forensik terhadap akaun dan juga perolehan kapal LCS. Saya difahamkan bahawa Syarikat Alliance IFA (M) Sdn. Bhd. telah pun dilantik untuk melakukan pengauditan forensik ini.

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Kita ada dua orang pegawai daripada Alliance IFA (M) Sdn. Bhd. yang hadir pada pagi ini. *So, we have two officers from Alliance IFA (M) Sdn. Bhd. who are present today. Number one is Mr. Prabhat Kumar and number two Mr. Prakashchandra Bhagwandas Chetwani. Welcome to the PAC and thanks for attending this proceeding.*

Jadi, tanpa membuang masa saya dengan ini meneruskan prosiding kita pada pagi ini dengan menjemput Yang Berusaha Dr. Salihin dan Yang Berusaha Puan Hajah Saadatul Nafisah untuk membentangkan pengauditan forensik perolehan kapal LCS kepada PAC. Dipersilakan.

Dr. Salihin bin Abang [Pengarah Bebas Bukan Eksekutif (BHIC)]: *Bismillahir Rahmanir Rahim. Assalamualaikum warahmatullahi taala wabarakatuh and a very good morning.*

Tuan Pengerusi: Maaf ya saksi, minta *mask on* ya untuk keselamatan semua. Terima kasih.

Dr. Salihin bin Abang: *Okay, all right.* Yang Berbahagia Tuan Pengerusi PAC, Yang Berhormat Tuan Wong Kah Woh *and also* Naib Pengerusi PAC, Yang Berhormat Datuk Seri Panglima Hajah Azizah binti Datuk Seri Panglima Haji Mohd Dun, ahli-ahli PAC dan juga *ex officio* yang hadir pada pagi ini.

Okey, terima kasih kepada PAC kerana sudi menjemput saya, rakan-rakan saya dan juga kita punya konsultan pada pagi ini untuk membentangkan kita punya *forensic audit* kita kepada ahli jawatankuasa PAC. Serba sedikit Tuan Pengerusi, saya dan – sedikit *background* ya. Saya dan Puan Hajah Saadatul Nafisah telah dilantik sebagai Pengarah Bebas BHIC pada tahun 2018.

Pada waktu itu, Boustead Holdings sebagai satu *group* dalam kita punya ini – *group* Boustead, kita telah menjalankan *position audit* untuk mengetahui status keseluruhan apa yang berlaku di dalam syarikat. Daripada itu, kita telah *commission-*

kan juga kita *forensic audit* di mana kita telah memanggil kita punya konsultan luar untuk membantu kita untuk menjalankan *forensic audit* dengan lebih mendalam lagi.

So, saya pada pagi ini, membawa rakan kongsi utama untuk forensik kita iaitu Encik Prabhat Kumar *and* juga pembantunya, Mr. Prakashchandra Bhagwandas Chetwani. So, tadi Tuan Pengerusi ada bertanya berkenaan dengan kita punya *structure* ya. Terlebih dahulu kalau saya boleh *explain*-kan sedikit. Saya minta maaf kalau ada bercampur Bahasa Malaysia dengan Bahasa Inggeris sedikit ya, Tuan Pengerusi ya.

Tuan Pengerusi: Ya, *please*.

Dr. Salihin bin Abang: Dengan izin ya. Okey. Selalu apabila kita masuk ke BHIC dahulu ada *confusion* di situ sebab macam mana kita dalam BNS ini, BHIC hanya memegang sebanyak 20 peratus. *By virtue of* kita punya *agreement*, kita ada *agreement* yang kita mengatakan bahawa *control of BHIC – management control belongs to BHIC*, walaupun *majority shareholder* dalam BNS adalah Boustead Holdings Berhad.

So, dari segi perakaunannya, kita mengambil *one-line item* sahaja daripada ia punya ini untuk kita *consolidate* dalam akaun kita, untuk BNS. So, *structure*-nya kalau nampak orang akan bertanya. Kenapakah walaupun kita bukan *majority shareholder* tetapi kita menjaga?

Maknanya, *director* dalam – ada sebahagian *director* daripada BHIC juga duduk dalam BNS untuk menjaga kepentingan ini. *By virtue of* kita punya *management agreement* yang kita ada dalam BNS. Okey. Itu serba sedikit. Kalau mungkin selepas ini kalau ahli jawatankuasa dan juga ahli-ahli yang lain ingin bertanya, kita akan menjelaskan dengan lebih lanjut. Okey.

Tuan Pengerusi, kalau saya boleh teruskan untuk meminta kita punya konsultan untuk *go through in detail* kita punya forensik. Selepas itu, mungkin kita ada *question and answer* ya. Okey. Boleh?

Tuan Pengerusi: Ya, *please*. Yes.

Dr. Salihin bin Abang: Boleh Tuan Pengerusi ya. Okey. Sekarang saya menjemput, *I will invite Mr. Prabhat Kumar to continue with the presentation*. Okey, terima kasih.

Tuan Prabhat Kumar [Pengarah Eksekutif Alliance IFA]: *Good morning to YBs and all present...*

Seorang Ahli: *[Memberi isyarat kepada Tuan Prabhat Kumar supaya membetulkan pemakaian pelitup muka]*

Tuan Prabhat Kumar: *Pardon? Because I need to speak. [Membetulkan pemakaian pelitup muka]. I am thankful that I have an opportunity to explain here...*

Tuan Pengerusi: *Mr. Prabhat, can you adjust your microphone a bit? Thanks.*

Tuan Prabhat Kumar: *Can you hear me now?*

Tuan Pengerusi: *Ya, very well. Thank you.*

Tuan Prabhat Kumar: *Okey. So, I am thankful that we have been requested to come here and to explain the investigation which we have done. It is very important to mention that this investigation is not complete. Why not complete? This is because although the major purchases were made between 2012 to 2014, but the cascading effect continued until 2018. Furthermore, there was – the majority of the implementation was done by CAD and CED. You can say some joint venture company. We were not provided any access to these two companies because of certain reasons, because of their internal agreement was drafted in such a manner that any auditor or investigator or any person from the accounting of BHIC cannot look into any of the documents pertaining to CAD and CED.*

So, those limitations that we have – those limitations, that I am going to explain now of what we have actually observed and what was our area or its scope of work and I will request Mr. Prakashchandra Bhagwandas Chetwani to start with the slides one by one and then we will explain to you. In the meantime, suppose you have any questions, you can always note them down. At the end of the presentation or if you wish to have any questions during the explanation or during the presentation, you are most welcome to allow us to stop and then raise your questions so that we can explain properly. So, Mr. Prakashchandra Bhagwandas Chetwani, please start.

As you all know very well, this project was a dream project by the Government of Malaysia and they issued a Letter of Award to BHIC's subsidiary, Boustead Naval Shipyard Sdn. Bhd., as Puan Hajah Saadatul Nafisah dan Dr. Salihin bin Abang just explained. BNS was required to supply the six littoral combat ships (LCS) to the Royal Malaysian Navy worth RM9 billion. It is a very big amount and that is how the project was required to be monitored very closely.

During 2012 to 2014, BNS issued various LOAs to lead contractor Contraves Advanced Devices Sdn. Bhd. (CAD) and Contraves Electroynamics Sdn. Bhd. (CED). Contraves is actually the subsidiary or a creation of a French company, Rheinmetall – that is very, very important for us to understand. It goes back to that and unfortunately, they were incorporated in a very non-transparent way. They were introduced and the workings were also in such a manner that it was very vague and not clear to those who were responsible to run the project at Boustead Naval Shipyard.

After price negotiation between the government – and the contract was signed, somewhere in 2014. To our surprise, we observed that, despite finalising the project in a very concrete manner or before finalising the design and the various components of the project, purchase orders had started being issued you know. At that time, there were board of directors, Yang Berbahagia Tan Sri Dato' Seri Che Lodin bin Wok Kamaruddin...

Tuan Pengerusi: *Mr. Prabhat Kumar, may I just pause you a little bit here? Can we just go back to CAD and CED?*

Tuan Prabhat Kumar: *Yes.*

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Tuan Pengerusi: *Can you explain to us in detail, what are the backgrounds of these two companies and in what circumstances they came into this project?*

Tuan Prabhat Kumar: *Okay. Prakash, can you explain? Please.*

Dr. Salihin bin Abang: *I think Mr. Prabhat, if you can actually look into page 18 of the slide presentation...*

Tuan Prabhat Kumar: *No. We are already here. On 18, we are already here.*

Dr. Salihin bin Abang: *Okay. Alright.*

[Berbincang sesama sendiri]

Tuan Prabhat Kumar: *I would like to explain through this slide, I am sorry he is unable to speak on his microphone. [Merujuk slaid pembentangan] You can see in this slide very clearly mentioned that Boustead Heavy Industries Corporation Bhd. (BHIC) had a 100 percent subsidiary that is Boustead Penang Shipyard Sdn. Bhd. (BPS). BPS had one subsidiary; BHIC Defence Technologies Sdn. Bhd. (BHICDT), that is an investment company. That is how we all got a bit amazed also to see this structure. Here, you can see there is a company, Rheinmetall Defence Group. Majority owned subsidiary was Rheinmetall Air Defence AG (RAD), a wholly-owned subsidiary of Rheinmetall and their wholly-owned subsidiary company was RD Investment AG (RDI), an investment company. Again, an investment company. These two companies, at the bottom, formed the joint venture where 49 percent is owned by RD Investment AG and 51 percent is owned by BHIC Defence Technologies Sdn. Bhd. Then, they formed the company known as Contraves Advanced Devices Sdn. Bhd. (CAD). That is how CAD came into the picture.*

During our investigation, we tried to understand the reasons behind this arrangement. It was very important for us to understand the history of why at first place CAD was created and Rheinmetall was – what were the terms and conditions of having this joint venture. There we realised, that this company with whom it had entered into a joint venture was – the agreement itself was lopsided. It means more

power and more authority were given to the 49 percent holder than to be given to BHIC. We can see that the management control of CAD remains with RAD even though they have only 51 percent majority stake. The board of directors of BHIC, Yang Berbahagia Tan Sri Dato' Che Lodin bin Wok Kamaruddin agreed to this decision which jeopardised the interest of BHIC. I do not go into the details of that agreement. That agreement had given absolute power to RAD to run this company. Why I am saying RAD because ultimately RAD is having a subsidiary and ultimately – CED is nothing but – of RAD. So, RAD became the controlling holder of this company and CED which is being controlled through CAD and they started doing the work. This decision made it difficult to have any access to the information needed to understand the details of the operation of the CAD business and to conduct an internal audit.

The same problem we also faced when we wanted to have information because they did not even have a copy of the board of directors meeting. Very surprising. You are spending millions of dollars and you are totally at the mercy of a foreign company who is virtually a supplier. You have no technical control; you have no technical expertise in that area and you are totally blindly depending on someone who is here to do business. Certainly, he will extract the cream to the maximum to his ability and that was what exactly happened. Who was behind that? You all can understand very well because I have told you, this decision itself, to introduce him was in a very flimsy manner. It was not transparent; it was not discussed in detail with the steering committee. There was a steering committee at that time, but this steering committee's minutes did not reflect any proper discussion and deliberation about the involvement of CAD and giving them the majority part of the implementation of the project.

To make the situation worse, the banking mandate approved by the board of directors of CAD was drafted in such a manner – you know, when we run a company, you need to have at least the controlling power in terms of the signatory of the bank. The letter which was approved by the board of directors in which the representatives of BHIC were also there, representatives of RAD were also there, they drafted in such a manner that CAD could have virtually issued cheques without having any control from the other joint venture partner. I think a man with no sense will do this. Even if you entered a 100 dollars business or 1,000 dollars business, we would like to see the banking control is equally maintained. So that, the person may not misuse the funds. So, that is what I very clearly mentioned; they made the situation worse, they have drafted the language in such a manner that there was no control.

The banking arrangement of CAD might have allowed them to withdraw the sum and use it to increase the expenses and reduce their profits, so that, BHIC could get lower dividends. The purpose was that. Based on limited facts and evidences gathered, we suspect that the profit declared by CAD was much lower than what has been earned by them. That is the reason why we wanted to have the entire books of accounts. It is because we are a joint venture partner. Being a joint venture partner, we have the right to examine the books of accounts. But it was totally blocked.

I think, Dr. Salihin bin Abang, I explained to him about my desperation. I told him, "Dr., do something." This is very precarious. Being the major investor, being the major [Tidak Jelas] company, we have no control and I wanted to know the truth of what happened to the funds which has been given to them. How they utilised, how they derived the costs? The costs which they have derived – if supposed, the cost is inflated, certainly it could have been detected by us. But unfortunately, we were not given any access because of certain regulations – terms and conditions were drafted in such a manner. So, they refused. Eventually, they refused.

I wanted even to examine their hard disk. We were not allowed to access their accounting system, their desktop or laptop. So that, we can take the image of the hard disk and do it, do our own examinations. After extracting, you know, we can find and see a lot of things that are deleted or not deleted. We can find everything through our technique. But anyway, that was not allowed. So, we could not do anything.

Further, it is essential to analyse their accounting banking transactions between 2011 to 2018 to confirm the possibilities of siphoning of funds and suppressing the profits to avoid sharing with BHIC. So, that is how CAD came into the picture of this particular venture.

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Am I clear or do you have any other questions?

Tuan Pengerusi: *Ya, I think it is very clear and perhaps – Mr. Prabhat, is it?*

Tuan Prabhat Kumar: *Prabhat.*

Tuan Pengerusi: *Yes, Mr. Prabhat – can go back to the background of your forensic and of course perhaps – from the slides I didn't see any terms of reference of your team. So, perhaps later you can explain to the committee. So, perhaps we go back to slide number three or number four.*

Tuan Prabhat Kumar: *Ya.*

Tuan Pengerusi: *Thank you.*

[Ahli-ahli berbincang sesama sendiri]

Tuan Pengerusi: *Ya, Yang Berhormat Lumut. There is a question from Lumut.*

Datuk Wira Dr. Mohd. Hatta bin Md. Ramli: Ya, Tuan Pengerusi.

Tuan Prabhat Kumar: *Any question?*

Datuk Wira Dr. Mohd. Hatta bin Md. Ramli: Ya.

Tuan Prabhat Kumar: Ya, please.

Datuk Wira Dr. Mohd. Hatta bin Md. Ramli: *Just a simple question. Is CAD still in existence? Is it still functioning as the original mandate until today or and... [Disampuk]*

Tuan Prabhat Kumar: *I think Dr. Abang Salihin can give this answer.*

Dr. Salihin bin Abang: Yang Berhormat, *if I can help Mr. Prabhat to answer this one* Yang Berhormat. *So, I'm sitting as a rep board* sekarang ini Yang Berhormat ya, di CAD. *I mean I am the chair now because of I think dia punya – that's why I think a bit peculiar because we are the JV and 51 percent is actually held by BHIC. But because of – as Mr. Prabhat mentioned just now, the agreement is so lopsided, so the management control actually belongs to them.*

So, I think that is very difficult for us to actually 'to maneuver' the company also because of the agreement ini. So, the company until 2018, because of the LCS has been slowed down Yang Berhormat, so, dia sudah tidak banyak aktiviti. *But, CAD ini ia ada sebuah kilang di Melaka, Yang Berhormat. So, that is why I think last time I wanted to understand also as Mr. Prabhat mentioned, why is it actually, the existence of CAD ini. Dia akan jadi macam under the layer, Yang Berhormat. Because CAD ini dia punya kekuatan hanyalah dalam – dia ada certain; bukan semua dalam LCS punya ini dia ada expertise. So, they have certain expertise in the area of satellite* ataupun – apa itu dia punya yang di airport itu? Tower. Tower yang jaga dia punya ini, Yang Berhormat.

So, until now, saya pun bertanya-tanya jugalah Yang Berhormat, kenapa kita ada *another layer. For your information* Yang Berhormat, bila kita *check* dalam dia punya *invoices* ataupun dia punya LOA itu Yang Berhormat, *certain expenses were actually bloated* sampai naik kepada *three times of* dia punya ini. *That's why I think* kalau kita pergi *direct* kepada OEM sekarang ini *the price* itu sudah naik. *I think, that is why I think, what we wanted to explain here* Yang Berhormat, *is a layer established for whatever reason* yang kita tengok sekarang ini menyebabkan harga projek yang kita buat ini jadi tinggi. *I think* sekarang ini kalau kita tengok *because of slowdown* pada LCS punya projek sekarang ini, *so, company will function* seperti biasa, berjalan seperti biasa Yang Berhormat *because of* ada *business* yang lain. Akan tetapi, *it is very –* sangat perlahan sekarang inilah.

Itu dia punya inilah, sekarang ini. Akan tetapi, kita *still – company* itu *still* ada *existence*-lah Yang Berhormat.

Datuk Wira Dr. Mohd. Hatta bin Md. Ramli: *[Berucap tanpa menggunakan pembesar suara]*

Dr. Salihin bin Abang: Ada, ada. *Still* ada.

Datuk Wira Dr. Mohd. Hatta bin Md. Ramli: *[Berucap tanpa menggunakan pembesar suara]*

Dr. Salihin bin Abang: Ada lagi. Dia adalah *company* di Jerman, Yang Berhormat. *It is a big, giant company* di Jerman yang *specialise* dalam *all these – defence* punya industri lah. Dia macam BAE, Rheinmetall, AG dan sebagainya itu. *It is a big company. A big, giant company internationally*, Yang Berhormat.

Tuan Pengerusi: *Please proceed.*

Tuan Prabhat Kumar: *If we look into the management structure of BHIC, now here I think – this is the structure of BHIC between the period which we had investigated.* Laksamana Madya Tan Sri Dato' Seri Ahmad Ramli bin Haji Mohd; *he was the MD. David William Berry was the Executive Director.* Datuk Ir. Yahya bin Hashim, Anuar bin Murad, Ahmad Nordin *who was taking care of the finance and accounts, Siti Naim binti Jamaluddin, and Khalid bin Mohd.*

Now, amongst these seven names which are appearing here, the basic role was played by two people based on our findings. Most of these decisions were taken and signed by the number one and number four. The rest, they had hardly any important role. Of course, when it was – I'm talking about Ahmad Nordin bin Mohamad who was Chief Financial Officer; he should have raised the flag, but he failed to do that. Similarly, Head of Legal Department because they said that most of the things first used to be done by them, then it used to come to our table. For just to fill up the blank.

I had interviewed Khalid bin Mohd almost for about twenty hours to understand and he opened the layer after layer which explained the lack of transparency, the influence of Anuar bin Murad, rejecting all the suggestions, overruling the procurement committee's decisions, and so on and so forth. Now, this is the summary of the findings. Now, I would like to take permission from all of you whether you would like to have the summary first or the detailed findings? Because if I explain the summary at this point in time then you may not understand it. So, if you give me permission then I would like to save this straight away to the LCS programme, which is after four slides.

Tuan Pengerusi: Ya, please.

Tuan Prabhat Kumar: *Should do that?*

Tuan Pengerusi: Ya.

Tuan Prabhat Kumar: Okey. This is slide number 10. The structure of the LCS programme. The value of LOAs covered during the review of 2011 to 2014 was RM5 billion. During this period, we have observed that out of RM9 billion, RM5 billion where LOAs had already been issued. To our utter surprise, these LOAs were issued at a time when the design was also not finalised by MINDEF. But it was not actually MINDEF. I think MINDEF should be responsible, not for anybody. MINDEF had not – there had been a lot of amendments, lot of changes. So, this created a big gap for the issuance of variation orders. Plus, earlier also the orders which were issued, were issued in such a manner that almost every order was subsequently supported by variation orders.

Ahli-ahli Yang Berhormat, I would like to tell you based on my 20 years of investigative experience. Whenever manipulation is required to be done in a given contract, variation order is the biggest culprit and that is what we have seen in this whole episode. Now, organisational structure, SOPs, procurement plan and budget for LCS programme all were done in such a manner that I can't tell you. Later on, I will come back to you. So, out of this RM5 billion, progress payment approximately RM1.94 billion was made and majority of the sum was released much before a single dollar's delivery at the site where the manufacturing or the construction was to take place.

Mobilisation; that's right, it is mentioned here separately. Out of RM1.94 billion, mobilisation payment was RM1.02 billion. Mobilisation is paid at the beginning of the project and that money can be so high out of the total sum. It is beyond comprehension.

Now, this project had four major segments. Design and support, platforms system and steel kits, major sub-systems including combat management system and other components.

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Now, design and support were from DCNS/Naval Group which is from France, RM878 million was the value of that initial value and out of that, till the time of our investigations, it means until 2014, RM576 million had already been released.

There had a lot of problems with the designs. Platform system and steel kits. Steel kits create the main structure of the littoral combat ships (LCS), you know. So, that is we can say...

Seorang ahli: [Bercakap tanpa menggunakan pembesar suara] Hull.

Tuan Prabhat Kumar: Hull, yes very correct. The right word is hull. LOAs awarded directly to OEMs as per the directive of MINDEF and the value was RM800

million. Now when these steel kits were being ordered, a very clear-cut manipulation was revealed during the investigation, which I will discuss later on.

Payment done till that was – out of that total, RM179 million was paid. Later on, they paid further, which is not – I've not mentioned because that was not investigated by us. Major sub-systems including Combat Management System, procured from OEM, by issuing LOAs through CAD and CED; RM3.3 billion. You can see the importance of the total value of the work which was given to CAD and CED. Payment done till that in 2014 was RM1.2 billion but after 2014, a lot of other payments were made to them.

I can't mention it here because this was not in our mandate. The other components, where LOAs were awarded directly to OEMs by following SOPs on procurement, and RM9 million was given through BVSB. Payment done till to date was only RM500 million. Now yes, what was wrong...

Tuan Pengerusi: I have some questions here.

Tuan Prabhat Kumar: Yes, sir. Please.

Tuan Pengerusi: So just now, you say the mobilisation payment until 2014 was RM1.02 billion. So, of course, compared to the actual sum, I mean the total sum of the contract which was RM9 billion, this RM1.02 represents a very high figure. So, this one I agree with. So, now my question is whether the payment of this RM1.02 billion under the name of mobilisation, was allowed under the contract or it is not something that was stated in the contract.

Tuan Prabhat Kumar: It was under the contract, but we have to also understand how the contract was derived, and how the components of the contract were restructured. That itself is grey. It's grey in the sense that transparency was totally lacking and most of the contracts which were signed had a lot of red flags, which we have mentioned in our report, in detail.

Tuan Pengerusi: Okay very well.

Tuan Prabhat Kumar: So, it was not very accurate and the important thing Tuan Pengerusi, that I would like to draw your attention; it is not against RM9 billion. Against RM5 billion. I have mentioned RM5 billion not against RM9 billion.

Tuan Pengerusi: Okay, RM5 billion.

Tuan Prabhat Kumar: So, the amount is extremely high especially when you are dealing with those companies which are known to you and well-known companies you are having joint-adventure with them. Then why you are having so much advance payment? It's some sort of advance payment.

Tuan Pengerusi: Ya okay. Yang Berhormat Naib Pengerusi.

Dato' Hajah Azizah binti Mohd Dun [Beaufort]: *Thank you Tuan Pengerusi. I want to know what is the percentage of mobilisation payment that they are allowed to ask for under the agreement. Do you know?*

Tuan Prabhat Kumar: *Ya, it's not fixed. In some cases, we have found as high as 25 percent, some were 15 percent, some were 20 percent and between – the average is between 20 to 25 percent.*

Dato' Hajah Azizah binti Mohd Dun: *Under – for this case, how much was it?*

Tuan Prabhat Kumar: *Pardon?*

Dato' Hajah Azizah binti Mohd Dun: *For this particular case?*

Tuan Prabhat Kumar: *Particular case, no. This is the cumulative figure which I'm saying the number of LOAs which were issued. This is the cumulative figure of the entire LOAs. It is not particular; I'm not giving this average, you know. The total amount which we have collected, we have not – there is an analysis with us, which project has been given how much – we have detailed workings for that. If you want, I can ...*

Seorang Ahli: *Do we have it here?*

Tuan Prabhat Kumar: *No, we don't have the slide here. But we have it in our report. We have a detailed working how this figure has been derived and which project has how much mobilisation.*

Dato' Hajah Azizah binti Mohd Dun: *Okay, thank you.*

Tuan Prabhat Kumar: *Ya.*

Tuan Pengerusi: *Okay Mr. Prabhat before you proceed...*

Tuan Prabhat Kumar: *Yes?*

Tuan Pengerusi: *Can you inform the committee about the background of the appointment of Alliance IFA for this forensic audit. Number one, I notice that all the investigations are based on – I mean all the investigations are up till 2014. So, what happened to after 2014, that is one. Number two, when did you all get the appointment from BHIC? Number three, what are your terms of reference. This point I raised this just now, I think it was not answered yet. What are your terms of reference from BHIC? So, three issues from me before we proceed further.*

Tuan Prabhat Kumar: *A number of accounting firms were invited to give a quote for investigation, and I was also one of them. KPMG was there, I think...*

Tuan Pengerusi: *When was that; which year?*

Tuan Prabhat Kumar: *Somewhere in – hold on, I have mentioned that in my report. 2019.*

Tuan Pengerusi: *So, you were appointed in 2019?*

Tuan Prabhat Kumar: *Ya but the work started in 2020. In June 2020, despite having COVID-19, we managed to submit our report.*

Tuan Pengerusi: *So, this report the whole thing which presented to us was submitted on...*

Tuan Prabhat Kumar: *In July.*

Tuan Pengerusi: *In July 2020.*

Tuan Prabhat Kumar: *Yes.*

Tuan Pengerusi: *Okay. So back to my question, what is the reason that all the investigation details are only up till 2014 and not afterward?*

Tuan Prabhat Kumar: *I had given them a proposal for – until the current period. But I do not know what happened because only board of directors can understand why they took the decision. They said, “You do first for four years.” because we had a lot of information because of my investigations for other GLCs, you know. We had a lot of documents too which allowed me to understand this project better. I’m involved in a number of GLCs, I must tell you. We are here since the last 18 years and we are mostly involved in GLCs.*

Tuan Pengerusi: *Ya maybe Dr. Salihin can comment further.*

Tuan Prabhat Kumar: *Ya.*

Tuan Pengerusi: *Why only between the period of 2011 to 2014? So, what happened to after 2014? What are the terms of reference that BHIC set for the forensic audit team?*

Puan Hajah Saadatul Nafisah binti Bashir Ahmad: *Okey, Tuan Pengerusi mungkin saya tambah sedikit. Since projek LCS diberhentikan pada akhir tahun 2019, BHIC menghadapi aliran tunai yang sangat kritikal. In fact, kami tak ada pendapatan langsung daripada apa-apa projek. Sehingga sekarang pun kami masih bayar gaji tiga kali sebulan dan board pun tak dapat gaji dari tahun 2020. [Ketawa] So, kritikal sangat tetapi kami usaha juga untuk melaksanakan pengauditan forensik. Memandangkan peruntukan kami yang sangat terhad, kami telah berbincang dengan our consultant, yang mampu kami bayar sehingga tahun 2014, Tuan Pengerusi.*

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Jadi, kami tidak mampu lagi untuk melaksanakan sehingga tahun 2018. Itulah antara sebab yang utama.

Dr. Salihin bin Abang: *Mungkin saya boleh tambah dan mencelah sedikit, Yang Berhormat ya. Okey. So, pada waktu itu, kalau Yang Berhormat tengok dari segi board juga, apabila kita elaborate dalam kita punya BHIC, kita ada satu Special Board Committee to look into this, which is chaired by me, headed by me, Yang Berhormat Ya.*

So, apabila kita tengok, *most of the contracts* itu kenapa 2,000? Kita hendak cepat pada waktu itu. *I think the government wanted this forensic to be done fast*, cepat dan juga pada waktu itu banyak juga inilah Yang Berhormat ya, di Parlimen dibangkitkan dan sebagainya. *It is of the public interest*-lah, Yang Berhormat ya.

So, pada waktu itu, kita – *that is why* kita *select the period* itu sampai tahun 2014. Kalau Yang Berhormat tengok daripada pembentangan Mr. Prabhat Kumar *just now*, pada waktu itu banyak kontrak diberi. RM5 bilion pada waktu itu. So, kita *wanted to identify* siapakah dahulu dekat situ sebelum kita pergi kepada tahun 2015 sampai tahun 2018. Itu yang kita tengok pada waktu itu.

So, *arising* daripada apa yang kita tengok pada waktu kontrak, kebanyakan telah LOA, telah di-*award* pada waktu itu. So, kita boleh tengok sikit macam mana ia punya inilah. *Basically*, apa yang terjadi kepada LCS. Macam Puan Hajah Saadatul Nafisah beritahu tadi Yang Berhormat, tahun 2015 hingga tahun 2018, kita masih *hold because of* kekangan dari segi kewangan.

Of course, Yang Berhormat, untuk pengetahuan Yang Berhormat dan juga ahli-ahli majlis mesyuarat sekalian, kita *punya forensic audit* apabila Mr. Prabhat Kumar *finalised* dia punya *forensic audit*, kita telah bawa kepada BHIC punya *board meeting*. So, *board* telah bersetuju untuk kita menyerahkan kepada SPRM. Pada waktu itu juga, Bursa Malaysia minta kita punya *report* dan juga *Securities Commission* pun minta kita punya *report* juga.

Kita telah beri kepada mereka *report* ini. So, macam juga Yang Berhormat beritahu tadi, tahun 2014 sampai tahun 2015 dan sampai tahun 2018, kebanyakannya aktiviti nya berlaku dekat CAD. So, pada waktu itu, kita menghadapi kekangan juga untuk mendapatkan dokumen daripada CAD. Pada waktu itu, kita berbincang berbagai-bagai cara sama ada kita hendak dapatkan *court adjunction to get the document* daripada CAD *because we have a limitation in terms of getting the documents*.

So, kita pada waktu itu berpendapat – *board* pada waktu itu berpendapat lebih baik kita serahkan urusan *investigation* dengan lebih lanjut *because of power* ini ada kepada SPRM dan juga pihak polis. Kita pada waktu itu, saya dengan Puan Hajah Saadatul Nafisah dengan kita punya CEO *even* pergi kepada CID *also*, polis. Kita telah serahkan beberapa naskhah dokumen yang kita telah buat *at least* tiga laporan kepada SPRM berkenaan dengan kes ini, kepada SPRM. Sekarang ini macam Yang Berhormat beritahu tadi, pada bulan Januari yang lepas, untuk pengetahuan ahli-ahli mesyuarat sekalian, *one of* ia punya CEO itu adalah CAD punya CEO yang kena *remanded* itulah, Yang Berhormat.

So, kita bercadang kita akan bawa perkara ini kepada kita punya *board* nanti untuk kita meneruskan juga kita punya tahun 2015 sampai tahun 2018. Akan tetapi, kita melihat kepada beberapa kekangan, Yang Berhormat. So, saya selaku *chairman*, kita akan melihat perkara inilah Yang Berhormat ya. Okey, terima kasih.

Tuan Pengerusi: Sila.

Datuk Wira Dr. Mohd. Hatta bin Md. Ramli: Disebut tadi bahawa kita mendapat arahan daripada kerajaan untuk melakukan audit ini. Siapakah sebenarnya yang mengarahkan dan atas laporan mana maka audit ini dibuat? Macam kita ada dengar ada laporan oleh jawatankuasa –Tan Sri Ambrin Buang itu apa nama?

Seorang Ahli: [*Bercakap tanpa menggunakan pembesar suara*] JKS.

Datuk Wira Dr. Mohd. Hatta bin Md. Ramli: JKS itu *kan*? Adakah itu puncanya ataupun *internal decision of BHIC on its own to proceed or to start a forensic audit*?

Dr. Salihin bin Abang: *Okay, all right.* Kalau saya boleh *respond*, Yang Berhormat ya. Macam saya beritahu tadi, apabila kita masuk pada tahun ini, saya dengan Puan Hajah Saadatul Nafisah dan juga *the new directors* daripada yang profesional itu dilantik pada tahun 2018...

Puan Hajah Saadatul Nafisah binti Bashir Ahmad: [*Bercakap tanpa menggunakan pembesar suara*] Tahun 2019. Tahun 2019. Julai.

Dr. Salihin bin Abang: Tahun 2019 ya? Okey, Julai 2019. So, kita masuk jadi *director*. So, kebanyakan *directors* yang sebelum ini telah diberhentikanlah. Okey. So, apa yang terjadi, pada waktu itu, kita telah buat *position audit*. Kita hendak tengok status apa yang berlaku sebenarnya. Itu telah di-*commission*-kan, Ernst & Young pada waktu itu.

Arising daripada *report* itu, kita sebagai *board* yang baharu, as *fiduciary duty of the board*, kita telah *form* satu *committee* untuk *internally* dan *sanctioned by the board of directors of BHIC* untuk kita terus buat *forensic audit* untuk lihat apa yang sebenarnya berlaku. So, *it is an internal punya decision* Yang Berhormat. *Board* punya ini, *board* punya *decision* untuk kita terus, kita buat forensik ini Yang Berhormat.

Datuk Wira Dr. Mohd. Hatta bin Md. Ramli: [*Bercakap tanpa menggunakan pembesar suara*]

Puan Hajah Saadatul Nafisah binti Bashir Ahmad: [*Bercakap tanpa menggunakan pembesar suara*] Bukan.

Dr. Salihin bin Abang: Bukan, kita tidak ada arahan. So, kita ambil ini sebagai kita punya *fiduciary duty* dan kita pun *take cognisance also* apa yang berlaku

di luar dan kita sebagai *board of director, as a professional board of director, independent director, so kita initiate this project. This report-lah.*

Tuan Pengerusi: Ya, Yang Berhormat Permatang Pauh sila.

Tuan Prabhat Kumar: *Okay. I would like to...*

Tuan Pengerusi: *Sorry... [Tidak jelas]*

Puan Nurul Izzah binti Anwar [Permatang Pauh]: *Sorry, before that. Just one question.* Terima kasih, Tuan Pengerusi. Saya hendak tanya kepada SPRM sebenarnya kerana lanjutan daripada siasatan ya sehingga tahun 2014, sepatutnya telah membuahkan pembuktian yang cukuplah. *So, from SPRM punya perspektif, ada tidak cara untuk membantu dari segi memasuki supaya rekod dan apa segala kandungan yang terperinci dalam CAD itu dapat didapati bagi maksud siasatan.* Ini kerana kita semua maklum kuasa SPRM; SPRM is *extremely powerful*. Jadi, dari segi ini, boleh berikan sedikit maklum balas yang agak terperinci. Terima kasih.

Tuan Mazery bin Mohd Zaini [Penolong Pesuruhjaya]: Okey, terima kasih Yang Berhormat. Saya Mazery bin Mohd Zaini daripada Bahagian Siasatan, Ibu Pejabat SPRM Putrajaya. Saya hendak maklumkan kepada Yang Berhormat bahawa untuk perincian siasatan berkenaan dengan isu CAD, saya tidak dapat hendak beri penjelasan terperinci.

Walau bagaimanapun, saya ingin nyatakan untuk syarikat CAD ini adalah salah satu skop dalam siasatan SPRM. Kita dapat melihat dokumen-dokumen yang tidak dapat dilihat oleh syarikat Alliance IFA (M) Sdn. Bhd. dan kita pun sudah *go through* setiap perincian perbelanjaan yang dibuat oleh syarikat CAD. Itu sahaja. Terima kasih.

Tuan Pengerusi: Terima kasih. Okey, *please proceed.*

Tuan Prabhat Kumar: *Okey, should I explain the mandate? Because as a mandate, I was asked by – to explain the mandate. Should I go through the mandate?*

Tuan Pengerusi: Ya, ya.

Tuan Prabhat Kumar: *Okay. The mandate was very clear; to identify major questionable transactions related to – this was very clearly mentioned, related to the period starting from 2011 to 2014. So, to identify major questionable transactions related to BHIC finance functions initiated by the Managing Director and Head of Corporate Services Division, especially those highlighted in the Special Group Internal Audit Report pertaining to be and as mentioned below.*

First, the detailed analysis to confirm whether non-essential for proper governance and transparency were allowed – were followed. If not, then identify such significant transactions which did not follow those norms. Detailed analysis of the procurement cycle to confirm whether the –. The procurement cycle means what

were the various phases of procurement and who were involved in that phase, on various phases.

Detailed analysis of procurement cycle to confirm whether the LCS programme, comprising the head of the project team, the head of the procurement team, and the head of the design engineering had confirmed and provided their services as a team during procurement.

To determine that the invoices of the service providers were duly verified, submitted and the Executive Committee or the LCS Steering Committee as per the norms of the standard operating policies and procedures have approved.

To examine advances taken by senior executives, the accounting treatment for such advances, and so on and so forth. These have nothing to do with the LCS; these are routine matters. Then, an analysis of cost overrun on the project's delay and recovery of liquidated assets damage where applicable, which we could not do because of the limitations of the period.

A review of various documents gathered as evidences and to identify the acting minds, if any. Whose decision had sidestepped norms of governance that are expected to be followed by a manner of diligence.

A review analysis of the entire floor of document which resulted in the decision to avail certain services that had significant financial implications.

All other than necessary to indicate the possibilities of any wrongdoings based on the hypotheses developed during the investigations of the LCS programme and many other systems.

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To identify weaknesses in the current contract, make recommendations to strengthen them, so that this is nothing.

Last, is to include what was the resulting findings. Now, when we were given this mandate, it is for a specific period, so we have to confine it only to specific periods. We could not go beyond that.

So, now, let me come back to the terms of reference for LCS Steering Committee. There was a LCS Steering Committee, which was supposed to overlook, which was supposed to install – to make sure that governance is in function.

There are two types of governance. One is on paper, and another is effective governance. So, the steering committee was basically tasked with effective governance. Now, in this what we observed, the Managing Director of BHIC – it was mandated in such a manner, that Managing Director would chair the LCS meetings and select the members of the committee without consultation or approval of the

board of directors of BHIC. This is extremely, I think can say, is not independent. There is a total lack of independence in such type of selection.

It appeared that Anuar Murad, then the Programme Director of LCS took advantage of the situation by arbitrarily issuing various LOAs and VOs because he knew very well that the chairman is the same person to whom – adheres to approval. If he is the chairman of the committee, which is being created to oversee that governance, certainly will not be independent because the person who is recruiting is the person who is listening to them. So, certainly, when he is in the committee, everything will be governed by his wish rather than the wish of the independent members of the committee.

The technical and commercial team members were not allowed to play their due role to evaluate various technical and financial aspects. In the name of secrecy, in the name of only one supplier, so on and so forth. Even the Group Legal Head was not involved in identifying the weaknesses of legal flaws of LOAs. Most of the LOAs, I do not know who drafted, legal department said that "It has not been vetted by us." It is very surprising. Anuar Murad was never reprimanded, despite having so many complaints in writing which was I can say some sort of whistle-blowing complaint by the vendors, outsiders, by the commercial team members and it was all kept aside.

So, now, the LCSSC BOD also failed to address the concerns raised by the Chief of Navy, Yang Berbahagia Tan Sri Dato' Sri Abdul Aziz bin Haji Jaafar, which is very astonishing, who represented Royal Malaysian Navy on the board of BNS on the evaluation process and selection of DCNS/Naval Group for design and support services. Just for your information, I would like to say that DCNS is involved in a number of controversies in a number of countries. You might have heard if you go into the website, you will understand.

The involvement of CAD as a joint venture company itself was not fully discussed and examined by LCSSC BOD to assist the relative advantages and disadvantages. It is because when you are engaging CAD, it has to be evaluated in order to understand the economic gains and economic benefits, relative advantages or disadvantages. What is the reason why we are engaging them?

Evidence suggested that the terms of most of the LOAs and VOs issued by CAD and CED were against the interest of the BHIC group and were more favorable to CAD or other joint venture partners like Rheinmetall. It means the terms are such that they have the upper hand, the supplier is the upper hand, and the recipient has the lower hand which is I think business prudence is totally against this. When I am issuing the POs or LOs to vendor, I should have my say on what terms and conditions I need these materials, how should it be delivered, when the payment will be done

and so and so forth. When we examined these LOAs and VOs, we realised it was more in the favor of the supplier rather than – we are actually at the mercy of the suppliers.

The facts were revealed during our discussion with ex-members of the LCSSC team. The composition of the evaluation team was determined by Anuar Murad. In our opinion, this reduced the independence during the evaluation of the various proposals. Evidence has indicated that Anuar Murad had on occasions, overruled the decisions of the evaluation committee. Any questions? May I continue?

Tuan Pengerusi: Ya, sila.

Tuan Prabhat Kumar: *Selection of DCNS/Naval Group for Gowind design had created an unprecedented bottleneck. Lack of proper understanding of designing a warship resulted in poor negotiation with DCNS/Naval Group and with common sense lapses. This was confirmed by a number of officers related to the navy.*

Knowing the weaknesses of the LCS team including Anuar Murad, DCNS took advantage of these lapses and capitalised them for their benefits which resulted in multifold costs over the initial price offered by DCNS. Here was the big chunk of money which they lost.

Anuar Murad informed LCSSC about various decisions only after it was taken by him in consultation with Tan Sri. That is the role of the LCS Steering Committee. In order to avoid the query from LCSSC, despite the advancement of LCS programme, the frequency of meetings by the LCSSC became lesser and lesser, despite repeated reminder to Anuar Murad and Tan Sri. It means they did not allow the meeting to have with more frequency although the purchase orders and LOAs were issued with more frequency, but meetings were being conducted with less and less frequency.

It had become a norm that whenever Tan Sri was not present in the meetings of LCSSC, the meeting would be postponed. Okay, is Tan Sri not around, so, no meeting. Because he has to drive everybody toward his objective. This was despite the fact that...

Seorang Ahli: *[Bercakap tanpa menggunakan pembesar suara]*

Tuan Prabhat Kumar: *Pardon? Okay. LCS repeated the request to convert the LOAs into a contract but their earliest were ignored and Anuar Murad never bothered about it. See, the thing is LOAs have to be later on converted into contracts, which is a very common process. So that, all those loose ends can be tightened properly. But we never found any contract or any LOAs were converted into a contract. LOAs are simply an understanding. You can't release payment based on LOAs you know.*

Based on documents available to us pertaining to BNS board meetings, we noted that none of the members had raised any objection to apparent red flags and irregularities that we have noticed related to the issuance of LOAs and VOs involving two named officers. I just give you one example. When they issued the – this is just for understanding, out of this context, I am just giving one example for you to understand how they managed to manipulate. When they placed the orders for the steel kits, a steel kit always comes with a certificate of its origin. When it was manufactured, what type of steel was used, what was the date of manufacturing, and lots of technical details.

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First, they issued the LOA. Second, again, and for the 'x' amount, and then again, they issued VOs just to obtain those details from the supplier of the steel kits. This resulted in RM36 million of payment. That's how the money was siphoned out.

The role of Tan Sri. Absolute control, being the Chair of the LCSSC on the selection of its members without approval of the board. Sweeping authority from the board of directors to negotiate and execute the LOAs with CAD and CED. Releasing progress payment to CAD and CED solely on the recommendations of Anuar bin Murad without going to the steering committee, without going to the board of directors, and without even going to other processes. Issuance of LOAs – it was very surprising, which you will observe; the CAD used to send their invoice, Anuar bin Murad used to recommend. Anuar bin Murad used to approve. Anuar bin Murad used to request payment to the finance guy. One-man show.

Issuance of LOA to IHC; the steel kits supplier. Issuance of LOA to IHC despite the reservations of the technical and commercial team of BNS. They were deadly against it because the quality was much of lower quality. But still, they managed to give it to him. I have gone through the tender process. IHC was much higher and also the terms were more favorable by other suppliers than IHC. They had finally negotiated with that company which was superior on the top in the ranking. Then, when they negotiated the price, then they called IHC to come to that price and they issued the LOA in favor of IHC. Then, again, to bring back the price, they issued the VOs based on design fault, design description detail, this and that, which are supposed to be part – in fact, if you look into the document which was released; we call it tender paper. The tender paper has clearly mentioned that these papers will be the part of the material which are going to be supplied. Still, they issued the VOs to procure them from the supplier. So, blatant disregard of norms and blatant disregard – you can very clearly see a clear-cut manipulation. The rest, is everything you can understand. I don't want to comment about that.

No action on the whistle-blower's letter. The letter was issued in favor of Tan Sri, and highlighted the red flag in the LCS programme. Even the suppliers had also issued. Two of the vendors had issued. No action. An apparent conflict of interest and that letter, in fact, has reached the Prime Minister Office – back then Tun Dr. Mahathir had already come into power. That's how I think LCS – started the investigation. An apparent conflict of interest being the MD of BHIC, Chairman of LCSC, and JV company CAD. Actually, he should not have – in all these places. Now, if you look into this particular chart I have purposely prepared. We call it the involvement of a person in the various phases of the cycle, a very important aspect of the investigation. Whenever we look into a procurement fraud, the most important thing we see is the various phases. Now, why do we say phases? The procurement cycle starts from requisition, which then results in a procurement order to the supplier. Then, the delivery is made. Before delivery, DOs and lots of other documents come into the picture. Then, once the delivery is made, then inspection of the material list then the accounting department approved those invoices, which have been supplied with various supporting documents to confirm the purchase order, which was issued to a particular vendor has resulted in dispatch and delivery of the particular material and has been issued or in the store. Then, only the payment is released.

Now, if you look into this cycle... [Disampuk]

Tuan Haji Ahmad bin Hassan [Papar]: *Excuse me.*

Tuan Prabhat Kumar: *Yes.*

Tuan Haji Ahmad bin Hassan: *So, in other words, these VOs were raised mainly to inflate the price?*

Tuan Prabhat Kumar: *Yes, the purpose was that.*

Tuan Haji Ahmad bin Hassan: *Okay, thank you.*

Tuan Prabhat Kumar: *To accommodate. Selection of vendor and the evaluation, who is the person? Anuar bin Murad. Because if you have this procurement team and you overrule their decision, certainly I'm the person responsible for that. Terms of LOAs; who will decide, who had decided, who has written? Anuar bin Murad. Progress of work; who has approved? Anuar bin Murad. Issuance of VO; who has done it? Anuar bin Murad. Recommendation for the release of payment; who has done it? Anuar bin Murad. So then, where – it is a one-man show you know.*

Dr. Salihin bin Abang: *Tuan Pengerusi... [Disampuk]*

Seorang Ahli: *[Berucap tanpa menggunakan pembesar suara]*

Tuan Prabhat Kumar: *Yes, this is 1MDB. Yes, very correct.*

Dr. Salihin bin Abang: Chairman, dia punya Anuar bin Murad adalah *board of directors* di CAD juga. Dia adalah *director* di CAD. Tan Sri adalah *chairman*. *Both of them are also sitting at CAD punya board juga*. So, [Ketawa] *it is a conflict of interest-lah, Tuan Pengerusi and also committee.*

Datuk Wira Dr. Mohd. Hatta bin Md. Ramli: *One question, Tuan Pengerusi. We have been informed that along the way, several VOs were requested and some apparently came from the end-users there in the navy. Dia minta... [Disampuk]*

Tuan Prabhat Kumar: *Those are only pertaining to the design change. That we understand. If supposed there is a VO – it is not that all the VOs are an indication of fraud. What happened during the process of any project or the progress of any project? Some of the VOs become necessary due to certain – to accommodate certain additional requests or certain changes in the design or certain – later on the buyer realised that this also should have been added, yes, we understand that. We all have common sense, and we reviewed that very thoroughly.*

But what is the background of these VOs? Once you have analysed the background of the VOs and you have analysed all those related documents, it will be extremely clear to you whether this was with manifest intent or with necessity, which was required to accommodate certain types of changes or certain types of additional works. Yes, all the VOs were certainly not the indication of fraud.

But in this case, I'm sorry to say that the majority of the VOs except one or two, I think. All of them, have some purposeful intent behind the issuance of the VOs. I have mentioned here the involvement of Anuar bin Murad in such a manner – there is a small brief here. It is very established that whenever the most senior person – this is our experience of a number of years of investigation as a forensic accountant – in the procurement fraud control, most of the phases which I have just mentioned, the likelihood is very high that he would misuse his authority for his objectives as depicted in the above cycle.

It is clear that in the case of the LCS programme, Anuar bin Murad sidestepped the authority of all of his subordinates, and acted in a manner as if they were only two persons in the whole organisation. This statement is based on the examination of 12 LOAs and numerous VOs. This means this conclusion is based on the number of LOAs, which have already been submitted in my report.

Now, how CAD was made exceptionally powerful to act against – right, we have already explained that. Yes. So, I don't need to go again.

Involvement of CAD in LCS. Very interesting. This is – I would like to have your attention about this. On the 27th February 2012, the board appointed CAD as a lead contractor to procure various components for LCS through a Director's Circular

Resolution (DCR). Such a major decision through DCR. Now, I do not know with my – with permission, I would like to explain something about DCR and normal board of directors' resolution.

DCR is normally issued – an approval is obtained from directors through DCR only on a very routine matter, where the board feels that calling all the members is a waste of time.

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Some very routine decisions you know. But, generally, this is applicable in 80 percent, 90 percent of cases. But, when major decisions pertaining to such a big project are being taken, it has to be during the meeting. The reason is that when the board meeting is being conducted, that time every board member has the opportunity to raise a number of questions to clarify doubts and issues which they see as a manner of diligence.

To avoid that type of questioning, to avoid this type of situation, this is very – this is my strong belief, I have investigated more than 50, 60 companies. Whenever DCRs, in a very critical situation, are used, it is always used to avoid discussion, to avoid – recently it happened. I can't reveal the name of that company, they were involved in a 1.3 billion dollars acquisition, and the majority of it was done through this year. Again, a GLC, I don't want to reveal anything.

So, this is very important here to understand. Then Tan Sri was given sweeping authority to execute and sign all the agreements, LOAs with CAD that – he was extremely confident. That whatever I'm going to do it is ultimately going to be condoned by my boss. As for the bank, basic norms of the governance, any resolutions should have been approved by DCR only once the board has agreed with the technical and commercial discussion and terms in the normal board meeting.

Okay, we have discussed enough, so now we have concluded. If supposed today we could not reach out because of certain things, DCR will be used, we will just sign because we have understood the issue and everything.

Primary evidence suggested that CAD was used as a vehicle to – this is very important – to minimise transparency and to avoid the scrutiny and detection by the procurement team, the steering committee, and the internal audit of BHIC. To avoid these three people, the scrutiny of the procurement team, the steering committee – because it is a public-listed company. So, they have all these things in place you know, how to avoid it. CAD will be the vehicle. By entering into such a contract that does not allow them to enter and to look into the details and the nitty-gritty of the business, which has been taken by them. The involvement – oh very sorry I have to go to the second – the total LOAs including – I'm very sorry; I should have gone

through this one, that total, yes. A total of 12 LOAs including VOs were issued to CAD/CED valuing approximately RM3.3 billion being 38 percent of the total value of the contract. The involvement of CAD resulted in a much higher cost than expected and provided an umbrella to hide the actual cost, which was paid to secure various components for this programme. The rest, I have read it all already.

So, at this point in time if there's any question you can raise. No question, should I proceed further?

Tuan Pengerusi: Ya.

Tuan Prabhat Kumar: Okay.

Tuan Pengerusi: Ya, Yang Berhormat Lumut.

Datuk Wira Dr. Mohd. Hatta bin Md. Ramli: Yes, one question. In your experience ya, this is like orang tengahlah ya? The practice of having a company like CAD in other projects sounds very familiar, memang purposely designed to do all these things. But couldn't the BHIC board in the first place – I mean you were saying just now, some of the red flags raised were ignored and some were just no red flags. I mean yes, what is the view of the audit on the BHIC board themselves?

Tuan Prabhat Kumar: I have only one thing to say about what I have observed in this case. You know two persons were very influential in this company, Laksamana Madya Tan Sri Datuk Seri Ahmad Ramli bin Haji Mohd Nor and Tan Sri Dato' Seri Che Lodin bin Wok Kamaruddin. I think everybody in this room knows how important he was, how powerful both of them were. So, the rest of the answer is known to all of you. When such persons are there, stalwarts we call them, then others feel themselves very dwarfed you know. When you feel dwarfed, you don't raise your voice because you are too intimidated by their presence. That's the basic. Wherever corporate failure has taken place, the basic reason is the stalwarts inside the board and they have no courage to raise issues that are very genuine and important.

So, the influence of CAD/CED resulted in possible damages. Overlapping of LOAs for BIT Centre at RM305 million. This means it was 'X' double for the same work with different nomenclature, again they issued which were already covered in the earlier LOA, they again issued another LOA. This was extremely clear-cut because I have discussed this technical aspect with three important persons in the Navy and the officers who were handling it at that time.

Tuan Pengerusi: For this BIT Centre...

Tuan Prabhat Kumar: Yes?

Tuan Pengerusi: Do you mean that the original RM305 million was actually...

Tuan Prabhat Kumar: Part of the...

Tuan Pengerusi: Part of the contract?

Tuan Prabhat Kumar: Yes.

Tuan Pengerusi: *And now – I mean whoever is responsible here has issued another LOA for the same amount of the cost.*

Tuan Prabhat Kumar: *This is what appears prima facie to me, I have mentioned in my report that in order to have – because we are not a technical person. We can only understand – the wordings look similar. So, then we recommended in our report that please engage an independent technical expert to have an opinion that our finding is accurate or not. So, I reserve my comment but this is what appeared to us.*

Tuan Pengerusi: Okay, ya.

Dr. Salihin bin Abang: Tuan Pengerusi, *BIT stands for Boustead Integrated Training Centre, it's a training centre actually.*

Tuan Pengerusi: *This one if not mistaken in Cyberjaya or something?*

Dr. Salihin bin Abang: Ya, Cyberjaya.

Tuan Pengerusi: *Because this RM305 million was raised by one of the witnesses during our site visit.*

Dr. Salihin bin Abang: Okay.

Tuan Pengerusi: *Whereby we have asked because a lot of times we have heard the sayings that in the whole LCS project, at least RM1 billion was missing or was not accounted for.*

Dr. Salihin bin Abang: Ya.

Tuan Pengerusi: *We were told this part of it could be this RM305 million. So, perhaps I would like to invite the witness after when you present this part to us. Perhaps the witness also, if possible, explain to us about the talks of about the RM1 billion loss or some not accounted for if that is within your investigation report.*

Dr. Salihin bin Abang: *In fact, Tuan Pengerusi, when this was being raised at the Parliament during that time, so, we have actually – based on that one – made that one as one of the SPRM reports, Tuan Pengerusi. Kita buat yang itu special report on that one untuk yang RM1 billion missing itu, Tuan Pengerusi.*

Tuan Pengerusi: *So, the report was – I mean who has done the report?*

Dr. Salihin bin Abang: *We have done. BHIC has done the report to SPRM because of dia banyak komponen. Dalam forensic report banyak komponen-komponen itu. So, we are looking into various aspects of that one because kalau kita tengok seluruh dia punya forensic dia ada governance issue, berkenaan dengan criminal, berkaitan dengan SPRM dan sebagainya, structure dalam itu. So, I think it's many. So, one of kita punya reports because kita ada submit empat reports. We have*

specifically dalam kita punya forensic report itu, so, we have divided into many other aspects.

So, that yang missing itu kita memang specifically this is one of the areas yang kita beritahu, SPRM should concentrate on this. So, we are hoping SPRM on that. So, there's a particular report on that missing itu yang kita hantar kepada SPRM.

Tuan Pengerusi: *So, the report wasn't done by the forensic audit team, no?*

Dr. Salihin bin Abang: *No, kita based on that because of that one arose dekat Parlimen during that time. There's a report also on the paper, so, that one. Based on that one kita beritahu kita hendak report ini.*

Tuan Pengerusi: *What report is Dr. talking about? Your report to MACC or your own audit team has come up with the report on that?*

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Dr. Salihin bin Abang: *No, we have not come up with another report. Kita ini aduan kepada ini. Aduan kepada SPRM. Aduan kepada SPRM.*

Tuan Pengerusi: *Okey. Ya, Yang Berhormat Lumut.*

Datuk Wira Dr. Mohd. Hatta bin Md. Ramli: *Along the way, during prosiding ini, we have heard that some of the money allocated for this project was used to settle some old debts of the BNS. Was this discovered or covered by your forensic audit?*

Tuan Prabhat Kumar: *As per our knowledge, we did not know because we are looking into irregularities and utilisation – money has been paid after paying to them. This is because CAD did not allow us to access their books of accounts or any kind of information pertaining to the payments and costs. We were totally in a dark room. We were unable to look, visualise and ascertain doubts which we had. Of course, that is the reason why we have to mention very categorically, that, we have to actually be qualified, that access to CAD is the most important in this whole exercise.*

Tuan Pengerusi: *Ya, Yang Berhormat Papar.*

Tuan Haji Ahmad bin Hassan: *Okey, terima kasih Tuan Pengerusi. I just want to ask about this internal audit of BHIC. Over the years, I think the internal audit of BHIC has raised some of those issues, is not it? So, as a – in the audit committee, I do not think that this one when you have some findings which are very, very material and you cannot simply put it outside when we discuss in the audit committee, is not it? So, if things like these happen, later on, what will happen to the auditors of BHIC, the internal audit of BHIC if things like these were not highlighted during their time?*

Tuan Prabhat Kumar: *I understand one of the – I have tried to contact her; I have tried to talk to her. She resigned out of frustration, and she joined another GLC. One of the auditors who came to know that things are not in the right manner and*

when she failed to see any support from the top management, then she resigned, and she left for another company.

After that, I did not find in any of the reports some major issues. So, you can understand. Once you have silenced someone, then others will understand the signal of what I have to do. Very common. It is very, very common.

Puan Hajah Saadatul Nafisah binti Bashir Ahmad: Yang Berhormat, maybe I can – saya boleh tambah sedikit. CAD; memang *internal audit* tidak dapat masuk di CAD untuk melaksanakan audit. *That is one of the hindrances. Except that once; we managed to get an early part of the internal audit. That is where we started this forensic audit report but that report was not presented to the audit committee for discussion. Other than that, they did not do any audit on the CAD. Except that the normal audit on procurement and they raised some witnesses but because the audit committee is also the same group of people on the board. Okay, thank you.*

Tuan Prabhat Kumar: *Some very apparent to things which we found in CAD because as per the terms of the agreement, the currency fluctuation's loss or gain should not have been posted to BHIC or to the group. This is because all the LOAs were in Ringgit Malaysia. Still, they passed evaluations, Tan Sri approved it and they took that loss into their account rather than CAD which should bear it. Which is very abnormal. Very, very abnormal.*

I have mentioned here and now I am going to displace. Should I continue now, with your permission? Okay. The influence of CAD/CED resulted in possible damages. What are these damages? Overlapping LOA for BIT, double claims for the same services in the LOA for the Combat Management System amounting to RM898 million. Potential loss due to change of currency resulted in additional liability of RM13.48 million. This is what I was talking about.

Payment milestones without deliverables and necessary supporting documents. We did not see any supporting documents. Exceptional markup except for the signature of the person. You know, approve, approve, approve. Exceptional markup as a middleman resulted in the loss of cash. That is why there was a person who was caught.

Irregularities pertaining to the LOAs for CMS issued to CAD and CED. The LOA for Combat Management System, Equipment, Engineering and Integration was awarded to CED at RM1.185 billion on the basis of a quotation from DCNS dated 23rd December 2010. Be careful about that date, which was issued even before signing the LOA with the government. You can imagine, we call it intent.

This reflects the intent of those involved in this project. They had no intention to deliver the LCS project. They only want – intent to maximise their gain which was

issued even before the signing of the LOA with GOM. The LOA was issued by Anuar bin Murad, sidelining the evaluation process by restricting the involvement of technical and commercial team. Very important to be highlighted.

Within six months, a supplemental LOA was issued by Tan Sri and Anuar bin Murad in favour of CED for the development of BIT Centre at RM305 million. The scope of this LOA appeared to overlap with the original LOA. No specific approval was obtained from the board for the issuance of LOA. The cost of investment was not budgeted in the LCS programme. The most important thing, payment was being made by them. Ownership lies with CAD, not with BHIC.

As per the terms, the ownership of the BIT Centre would be vested with CED – which I have just mentioned – despite this cost is being fully borne by BNS. This appeared unusual and against the interest of the company. Further, 40 percent of mobilisation was released to CED without achieving any milestone or substantial progress in the work. Where will we find this kind of this business? I have never seen it, first time I am coming across it. Double claims by CAD for the same services for CMS. This is what – here is only the summary of the entire things that I have mentioned here. So, I do not need to explain.

Tuan Pengerusi: Can we go back to the BIT Centre?

Tuan Prabhat Kumar: Yes.

Tuan Pengerusi: Okay. Can I check; here you say the cost of the investment was not budgeted in the LCS programme. Does it mean that the initial RM9 billion has never taken into account this RM305 million investment?

Tuan Prabhat Kumar: No, no, no.

Tuan Pengerusi: Not at all?

Tuan Prabhat Kumar: Not at all.

Tuan Pengerusi: Not at all? That is number one. Number two and you have said that just now, this RM305 million, the forensic team actually suspects that there is a double claim, right? So, it will come up to an eventual like RM610 million outside the purview of the whole LCS programme? Am I right to say that?

Tuan Prabhat Kumar: Ya, you can say that. Because ya, you can say...

Tuan Pengerusi: This is because the first RM305 million was not budgeted and what makes things worst is that the RM305 million might involve a double claim which will become RM610 million eventually.

Dr. Salihin bin Abang: So, basically Tuan Pengerusi, yang RM9 bilion itu tidak cukuplah. Maknanya, ia jadi RM8.7 bilion sajalah. So, that is why I think the initial cost is RM9 billion for the project, apabila kita kena bayar yang lain RM300 juta,

maknanya tidak cukuplah duit itu untuk kita *settle*-kan ia punya itu. *In other word, that is the* inilah, Tuan Pengerusi.

This is because we have paid another thing, which is not inside the programme, which is quite substantial; RM300 juta. You know. So, normally juga Tuan Pengerusi dan ahli-ahli yang lain, orang ini kalau dia hendak sorokkan dia punya *expenses*, kadang-kadang dia letak dekat *management fee*. *Training centre*-lah, semua macam itu kan? *So, that's why we suspect*-lah Tuan Pengerusi.

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Tuan Pengerusi: *So, this BIT actually has nothing to do with the LCS project?*

Dr. Salihin bin Abang: Yes.

Tuan Pengerusi: Okey.

Dr. Salihin bin Abang: *This is an additional item put during the project. That is why we suspect something is not right, Yang Berhormat.*

Tuan Pengerusi: Okey. *Okay, thank you.* Yang Berhormat Permatang Pauh, sila.

Puan Nurul Izzah binti Anwar: Terima kasih, Tuan Pengerusi. *Before that, sorry.* Saya nak tanya sahaja daripada segi kita kan dah banyak siasat kes menerusi sidang PAC, mendengar tentang kesusahan yang terpaksa dialami dari segi untuk pembayaran syarikat sendiri tergendala akibat apa yang berlaku. Saya mahu minta komen daripada AGC dan juga daripada SPRM, memanglah tak boleh bagi secara terperinci, tetapi sekurang-kurangnya *is there enough to ensure a successful prosecution. I think it is a valid question because* kalau tidak sampai ke tahap ini, sudah sampai *forensic auditing*, sudah ada bukti. *Can you just give a general feedback to us at the PAC?* Terima kasih.

Puan Zarinah binti Mat Jailaini [Ketua Unit (Sektor Penasihat) (Bahagian Penasihat) Unit Projek Khas, Jawatankuasa Khas / Majlis Khas, Jabatan Peguam Negara]: Terima kasih, Yang Berhormat. Saya sebenarnya wakil AGC, tetapi saya bukan daripada bahagian *prosecution*. So, saya rasa kes ini disiasat di bawah SPRM. Saya rasa bawah *jurisdiction* SPRM untuk *come up with* dia punya *findings* dahulu, Yang Berhormat.

Puan Nurul Izzah binti Anwar: *[Bercakap tanpa menggunakan pembesar suara]*

Puan Zarinah binti Mat Jailaini: Yes, to the AG.

Puan Nurul Izzah binti Anwar: *[Bercakap tanpa menggunakan pembesar suara]* So, we still don't know whether this will be successfully prosecuted or not.

Puan Zarinah binti Mat Jailaini: Ya. *It depends on the siasatan,* Yang Berhormat.

Tuan Prabhat Kumar: *I would like to just add one more thing here. This involvement has two aspects. One is criminal, one is civil. So, we should not – I have suggested to the board also at the time when I was doing this, to go for Anton Piller Order. Seize all of their documents, seize everything. Prosecute them for civil liability, and recover the money. It is because you see, criminal liability may take long and moreover, if supposed, they are – sent them behind the bars. What – ultimately, they will receive nothing. So, in order to recover the money, there are certain procedures. I mean in the private sector, we have done it very successfully.*

The same approach should have been followed in my opinion, by the public sector also in order to recover the losses. It is because all these people who are involved in the wrongdoings, they are ultimately either get to escape or they never return the money to anybody. So, this process keeps on happening. All these Parliamentarians who are here, that is the right thing, I would like to suggest that we should take certain punitive actions through civil procedures. MACC is doing very well, police are doing very well, but at the same time, the civil proceeding must start prior to that process. So, after forensic accounting, so that, you can at least recover the money from them. Then, they will be in a panic, and they will think ten times about whether they should do it or not in the future.

Puan Nurul Izzah binti Anwar: *[Bercakap tanpa menggunakan pembesar suara]*

Tuan Mazery bin Mohd Zaini [Penolong Pesuruhjaya, Suruhanjaya Pencegahan Rasuah Malaysia]: Okey Yang Berhormat. Berkenaan dengan siasatan yang dibuat oleh SPRM, kita memang sedang buat siasatan dan kita akan hantar kepada pihak AGC setelah siasatan selesai. Akan tetapi untuk kes LCS ini, kebanyakan dokumen dan transaksi berlaku lama, 10 tahun yang ke belakang. Jadi, kami perlukan sedikit masa untuk *retrieve* dokumen-dokumen itu, *especially* yang berkaitan dengan transaksi duit ke luar negara. Di dalam Malaysia, perbelanjaan CAD, kita ada yang itu. Cuma yang di luar itu, yang itu ambil masa sikit Yang Berhormat.

Puan Nurul Izzah binti Anwar: *[Bercakap tanpa menggunakan pembesar suara]*

Tuan Mazery bin Mohd Zaini: Ya, betul. Kita memang dah ambil tindakan. Betul. Apa yang dikatakan oleh pihak syarikat yang buat audit ini tadi, Alliance IFA (M) Sdn Bhd *forensic, actually* memang kita sudah buat dalam kajian siasatan kita. Okey, terima kasih Yang Berhormat.

Tuan Ahmad Tarmizi bin Sulaiman [Sik]: Tuan Pengerusi, sedikit. Saya sikit hendak mohon penjelasan daripada Dr. Salihin. Ketika lawatan ke Lumut oleh

PAC pada dua bulan yang lepas, antara yang dimaklumkan ialah banyak daripada vendor-vendor yang masih belum diselesaikan pembayaran mereka dan disenaraikan ada lebih 400 vendor termasuk yang daripada dalam dan luar negara. Jadi, apa yang disebutkan tadi *double claim* juga ada termasuk yang vendor-vendor ini juga ataupun ada juga sama ada kes – maknanya pembayaran yang tidak selesai ini telah dibawa ke mahkamah atau sebagainya? Terima kasih.

Dr. Salihin bin Abang: Okey. Terima kasih Yang Berhormat. Kalau saya boleh respons, setakat ini kita ada satu kes yang berkaitan dengan MTU yang melibatkan penggulungan syarikat, BNS. Itu yang satu. Akan tetapi untuk yang melibatkan *small vendors* ini Yang Berhormat, belum ada lagilah Yang Berhormat, setakat ini. Akan tetapi, kita *manage* mana-mana kalau kita dapat, *especially* sekarang ini apa yang terjadi di BHIC ini, kita ada, *basically* kita ada tiga komponen utama kita punya perniagaan. Satu, kita MRO kapal selam. Kedua, kita MRO kita punya kapal perang yang kita ada itu, MRO yang itu. Selepas itu kita ada *bits and pieces*, ada *business* yang lain, yang MRO lain. So, apa yang terjadi, apabila kita dapat LCS ini, dia terlalu besar dia punya lubang dia, Yang Berhormat. So, apa yang terjadi sekarang ini, yang *businesses* kita yang lain ini kita kena *subsidise*-kan pembayaran, *especially* macam sekarang ini kita punya LCS, di BNS ini kita punya hutang di bank RM1.2 bilion. Nak bayar *interests* kadang-kadang kita terpaksa ambil daripada perniagaan-perniagaan lain. Ini menyebabkan kita dalam keadaan *very tight in terms of* kita punya *cash flow*.

That is why we are asking the government to actually to proceed with kita punya LCS punya program ini *because of to mobilise the things*. Keseluruhan yang itu menjadikan BHIC ini sangat-sangat inilah daripada segi *liquidity* dan juga kecairan dialah Yang Berhormat. Akan tetapi *alhamdulillah*, *so far* Yang Berhormat, daripada vendor-vendor ini, kita belum ada *civil suit* kepada kita lagilah. Akan tetapi *we managed*, bila kita ada duit, bila kita dapat pembayaran itu, kita tengok. Saya dengan Puan Hajah sendiri, bila kita masuk, kita *form* satu *financial committee* yang berkenaan dengan ini, kita tengok mana-mana satu dia punya *payment* yang kita nampak. Ini sebab *small vendors* ini kita nak bayar. Memang kita bayar yang bawah RM50,000 itu, kita *settle* sikit-sikit dia punya ini.

Itu kita punya komitmen kita nak bayar sebab kita tengok yang mereka ini *very much affected*, yang *small suppliers* kita inilah. Akan tetapi, *so far* memang tak ada Yang Berhormat. *Insya-Allah*, kalau ada *mobilisation fee* yang akan datang ini, kalau *government* kata *proceed with the project*, memang kita – *this is our priority*-lah *because* kita nampak mereka ini *very much affected by the project*, *especially* yang *suppliers* dengan *vendors* di Lumut, Yang Berhormat.

Datuk Wira Dr. Mohd. Hatta bin Md. Ramli: *[Bercakap tanpa menggunakan pembesar suara]*

Dr. Salihin bin Abang: Memang sakit. Kita faham itu, Yang Berhormat. Memang kita ini, tetapi sekarang ini macam Puan Hajah beritahu tadi, kita punya gaji yang staf kita ini, tiga kali bayar sebulan. Memang kita *very tight*. So, we hope the government will proceed dengan projek ini because of Yang Berhormat, untuk pengetahuan, kita punya calculation kalau government tak proceed dengan projek ini, we are losing RM50 million a month. Bila kita hantar kita mula-mula – when kami masuk mula-mula Yang Berhormat, VO yang kita requested from the government adalah RM1.6 billion. Now, it touches RM4 billion because of a month yang government tidak decide on this project, RM50 million. That includes the warranty, semua itu yang kita – barang yang kita dah beli semua sekali, the obsolescence semua sekali itu Yang Berhormat, RM50 million kita punya loss. The government drag, drag, drag, memang kita akan ini because time is of the essence now.

Puan Hajah Saadatul Nafisah binti Bashir Ahmad: *[Bercakap tanpa menggunakan pembesar suara]*

Dr. Salihin bin Abang: A month basis kita punya kiraan Yang Berhormat. So, kita harap government akan percepatkanlah dia punya ini.

Datuk Wira Dr. Mohd. Hatta bin Md. Ramli: *[Bercakap tanpa menggunakan pembesar suara]*

Dr. Salihin bin Abang: Waiting for the Cabinet punya decision Yang Berhormat. Dia kata bersetuju, tetapi we are waiting and waiting, Yang Berhormat. Then, that affects kita punya inilah, yang vendor-vendor yang lainlah, yang dia punya sekarang ini, especially dalam keadaan COVID-19 semua sekali because of kerja LCS di Lumut totally stop, Yang Berhormat. Kita tidak ada ini sebab kita tidak boleh bagi orang job because of kita tidak boleh bayar orang. So, kita tidak hendak aniaya oranglah, Yang Berhormat. *[Ketawa]*

Datuk Wira Dr. Mohd. Hatta bin Md. Ramli: Saya hendak tanya sedikit lagi ya. In this procurement process ini, we were told that because of the cara pembinaan ini dia bukan satu kapal after satu kapal after satu kapal ya. Dia buat serentak.

Dr. Salihin bin Abang: Betul.

Datuk Wira Dr. Mohd. Hatta bin Md. Ramli: Ada fasa-fasa dia, jalan serentak, and that justified the early procurement of lots of things.

Dr. Salihin bin Abang: Yes, betul.

Datuk Wira Dr. Mohd. Hatta bin Md. Ramli: For example, enjinlah katakan ya.

Dr. Salihin bin Abang: Betul.

Datuk Wira Dr. Mohd. Hatta bin Md. Ramli: Kita ada enam kapal, mungkin dia dah beli tiga, empat atau sebagainya.

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And they are all stocked up in BNS sana.

Dr. Salihin bin Abang: Betul.

Datuk Wira Dr. Mohd. Hatta bin Md. Ramli: Termasuk yang kami tengok adalah TV-TV atau *monitor* ini.

Dr. Salihin bin Abang: Betul.

Datuk Wira Dr. Mohd. Hatta bin Md. Ramli: Bentuk plasma.

Dr. Salihin bin Abang: Betul.

Datuk Wira Dr. Mohd. Hatta bin Md. Ramli: *Have you heard of plasma TV?*

Dr. Salihin bin Abang: Ya, *of course.* [Ketawa]

Datuk Wira Dr. Mohd. Hatta bin Md. Ramli: *Ages ago.* Walaupun tiga tahun. Ini kerana teknologi punya fasal, plasma dah di-*order* awal.

Dr. Salihin bin Abang: Betul.

Datuk Wira Dr. Mohd. Hatta bin Md. Ramli: Adakah itu akan digunakan? Jadi, ini termasuk saya rasa benda-benda yang akan kena *disposed*; kerugian.

Dr. Salihin bin Abang: Betul. Ya.

Datuk Wira Dr. Mohd. Hatta bin Md. Ramli: Adakah audit membuat ulasan ini dan memberikan sebarang *recommendation*? Walaupun dah terlewat.

Dr. Salihin bin Abang: Yang Berhormat, apabila kami masuk, *especially* Puan Hajah – Puan Hajah daripada Jabatan Audit Negara dahulu. Dia *quite familiar* jugalah dalam kes 1MDB, Puan Hajah ini jugalah. So, saya dengan dia *we have accounting*, juga *finance background*. Saya sendiri ada saya punya firma sendiri, Yang Berhormat ya. So, apabila kita masuk kita hendak tengok, kita hendak buat *stock count* juga, berapa aset yang kita ada. *Because* kalau katakan macam *there is a missing* RM6 bilion kita sudah bayar tetapi mana dia punya benda itu sebanyak RM6 bilion. Macam Yang Berhormat sudah tengok sendiri di Lumut; *certain items* itu kita sudah beli *in advance*. Itu jadi isunya. Maknanya dia letak di dalam stor itu, Yang Berhormat. So, kita punya *worry is that* satu dia punya waranti. Boleh dipakai lagi atau tidak. *Obsolescence*. Itu yang – sebab kita punya program ini kalau kita *government* bersetuju, tahun 2028 baru satu siap. Kalau macam TV tadi memang tidak boleh pakailah, Yang Berhormat. Kalau hendak letak dalam kapal memang siapa hendak tengok.

So, kita buat *stock take* yang ini sebab kita hendak *ascertain* sebab orang kata duit hilang, duit hilang tetapi kita sudah beli barang dalam itu. Cuma, barang kita itu bila kita hendak letak dalam kapal. Oleh sebab, dia punya *hull* itu tidak siap lagi,

Yang Berhormat. *Hull* kapal itu tidak siap lagi, dia punya rangka kapal itu tidak ada. So, item dah ada. Bilakah kita hendak *move* kepada kapal? Macam di kita punya Cyberjaya, *which is I think that is the heart* atau jantung kita punya LCS ini di Cyberjaya, *which* kita jadi sangat *particular* juga kalau apa-apa terjadi *because of all the Combat Management System* itu di Cyberjaya. *That integration part is the risk now*, sekarang ini. Hendak *integrate* yang itu masuk ke situ dan juga hendak *integrate* semua sistem dalam kapal, Yang Berhormat.

So, dia punya ini kita dari segi *supply chain* punya *management* kita buat *stock take* semua. So, kita tengok semua item kita. Apabila kita buat itu, mana satu yang *obsolescence* dan yang itu kita *request* pada *government* untuk kita *provide*-kan dia punya VO yang di situ. Kita *request the government*, Yang Berhormat. So, alhamdulillah *with us inside* kita tengok semua inilah. *Because I think* dalam *report* yang kita tengok ini *one of the issues in term of the process, the governance is very lacking* yang kita tengok. *I think that coupled* dengan banyaklah *conflicts of interest* yang dekat situ *because of people have* dia punya *self-interest* dan sebagainya. So, *we try to manage, and we try to pull* benda ini *on our side*. Akan tetapi, sekarang ini pun kita masalah dari segi kekangan kewangan semua itu, Yang Berhormat. Bila kita tidak bayar gaji orang semua sekali, orang punya *motivation* hendak kerja dan sebagainya. Memang payahlah Yang Berhormat. Memang *hard time for us*.

Tuan Lukanisman bin Awang Sauni [Sibuti]: *Just want to ask* sedikit berkenaan dengan – sambungan daripada Yang Berhormat Lumut tadi. Kalau kita lihat dalam prosiding-prosiding yang lepas dan juga semakan-semakan dalam *Hansard*, dikatakan bahawa *design for these six* kapal ini berbeza-beza dan juga *design* dia tidak *final* lagi.

So, what is happening? Adakah akan berlaku tidak perubahan dari sudut *spec*-nya? Contoh, kalau kapal ketiga dan keempat nanti *using different design, is it* akan mempengaruhi dari sudut bajet dan juga saya bersetuju berkenaan peralatan-peralatan yang mungkin sudah *outdated*. *Is there any possibility* mungkin MINDEF ataupun konsultan menasihatkan untuk berlakunya sedikit perubahan dari sudut keselamatan persenjataan kapal-kapal tersebut?

Will this affect the cost dan juga kita sedang menunggu keputusan kerajaan sama ada untuk meneruskan memandangkan LCS ini adalah satu isu yang sangat besar dan juga masyarakat di luar ataupun pemerhati tidak memahami. Contoh, TV plasma tadi *kan*. So, memang sudah ada tetapi dia tidak boleh *install*. *Even myself* pernah melihat kerangka kapal itu yang sedang dibuat oleh syarikat perkapalan Chin Yang di Miri. *Then, I was wandering* kalau bentuk kapal itu dia apa hendak jadi dengan *that kind of ship*-lah. Kita tidak tahu *what is happening actually*.

Dr. Salihin bin Abang: Kalau saya boleh *respond* Yang Berhormat ya, Tuan Pengerusi. Oleh sebab, ini *a bit technical in terms of* dia punya ini. Macam yang Mr. Prabhat *highlighted*; dahulu apabila dia *decided on the design* itu pun sudah ada isu dekat situ. Gowind punya *design and also* dia punya yang *design* sekarang ini. So, dahulu kita ada panggil juga Naval Group *to explain. Part of* isunya sekarang ini, sebab kapal ini ia *complicated* juga *in terms of* ia punya *design. Design* sekarang ini kita *foresee, I think based on my own need* Yang Berhormat ya, kemungkinan akan ada perubahan tiga *design* sebab sekarang ini *design* sahaja dekat-dekat dekat sini RM1 bilion. *You have to buy the design* itu. *Because this is first class.* Maknanya, kita tidak ikut apa-apa arkitek yang sebelum ini. Itu menjadikan pembinaan kapal ini *so much complicated because of the design* itu tidak pernah ikut apa-apa *design. It is a design yang first* sekali. *It is called as first class* punya *design.* Tidak ada ikut yang lain-lain.

So, perubahan itu mungkin ada Yang Berhormat, yang akan datang ini. Itu yang kita kena masukkan dalam dia punya *probably contingent expenses* yang akan datang itu. Itu dia punya *risks* kepada untuk menyiapkan projek itu pada masa yang akan datangnya. *The obsolescence,* dia punya *design* punya *issue* yang akan datang *because of I think probably* kalau kita *request* pada *government, government is giving us this kind of budget* semua sekali *kan,* macam kita buat rumah juga Yang Berhormat. Akan tetapi, kalau buat rumah kita boleh *design* ini. Kapal kalau kita tukar, satu kapal kena tukar *because of* ia melibatkan *weight* dan sebagainya. Kalau dia buat *testing* dekat *sea* dan sebagainya. Itu banyak perkara lagi, Yang Berhormat.

So, saya kalau – sebab saya duduk dekat *risk committee* dekat BHIC juga, *so, among other things this is what we – looking into the risk of the programme* jugalah, Yang Berhormat. *So, actually* sangat-sangat merunsingkan Yang Berhormat.

Puan Hajah Saadatul Nafisah binti Bashir Ahmad: *Just,* Yang Berhormat, saya hendak tambah sedikit *on the asset.* Kita ada *a committee that is looking into the asset; what assets that still can be used and what assets that are already obsolete. Which assets do we need to extend the guarantee period and all these. So, there is a committee – sometimes monitored by us also – to see the position* untuk aset-aset ini. Sebab macam Yang Berhormat sudah pergi tengoklah. Mungkin ada banyak aset yang sudah *obsolete and then,* macam mana kita – *what is the cost to extend the guarantee and all these. We have to relook into all these.*

Datuk Wira Dr. Mohd. Hatta bin Md. Ramli: Ini sebagai *anecdote* sahaja ya, Tuan Pengerusi. Tadi disebut yang CAD ini *is a JV between* BHIC dengan sebuah syarikat yang kepakaran dia ialah membuat apa tadi? *Tower* ya? *Tower* tadi itu?

Dr. Salihin bin Abang: *Specialisation* dia satelit punya ini, Yang Berhormat. *About the* satelit punya sistemlah.

Datuk Wira Dr. Mohd. Hatta bin Md. Ramli: Sistem ya. Itu dia punya *main*.

Dr. Salihin bin Abang: *Main*-nya.

Datuk Wira Dr. Mohd. Hatta bin Md. Ramli: Bukan apa. Semasa kita melawat ke BNS itu, sebab ditunjukkan kapal yang telah di – apakah nama proses itu? Bukan di-*commission*. Diletakkan dalam air itu dan dirasmikan. Dirasmikan. Ada *term*-nya itu. Jadi, kapal itu nampaklah ada dia punya *mast* itu.

Dr. Salihin bin Abang: Betul.

Datuk Wira Dr. Mohd. Hatta bin Md. Ramli: [*Ketawa*] *That was a joke*-lah.

Dr. Salihin bin Abang: [*Ketawa*]

Datuk Wira Dr. Mohd. Hatta bin Md. Ramli: *And then, the kapal was taken back to the dry dock* ini kan, ditanyalah mana dia punya *mast* tadi itu? Oh, ada dalam stor *already*. *So, everything else is not ready*, dia punya *mast* sudah ada.

Dr. Salihin bin Abang: Betul.

Datuk Wira Dr. Mohd. Hatta bin Md. Ramli: Itu *I was thinking because the company involved is memang pakar buat itukah?*

Dr. Salihin bin Abang: [*Ketawa*]

Datuk Wira Dr. Mohd. Hatta bin Md. Ramli: *Just an anecdote* ya. Minta *remove* daripada *Hansard* ini.

Dr. Salihin bin Abang: *That is why* kita pun *puzzled* juga Yang Berhormat *because of* apabila *that company* itu, CAD itu; *it is not* dia punya kepakaran. Apabila dia dapat *order from us* itu, *so*, dia akan order daripada Naval Group. Naval Group ini dia punya ini *is the combat management system* itu; *it is another company*. *So, it is another layer*-lah macam Yang Berhormat cakap tadi itulah. *It is another layer*. *So, I think we should go direct to the OEM*.

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But now what happened is that bila kita tahu yang itu *so BHIC our decision is that we will actually go direct to the OEM to actually to reduce this layer and also to get the better price for us*. *So that is future*-lah *because* kita tahu *the layer* itu *additional cost to us*, Yang Berhormat.

Datuk Wira Dr. Mohd. Hatta bin Md. Ramli: Memang ini Dr., di Lumut itulah ceritanya. *They set up the company just for that purpose*; untuk jadi orang tengah dan *I do not know whether the audit committee, your side* ada terlibat dalam *money trail* atau untuk siasatan, tidak ada ya? Kita khawatir kalau ada salah guna. *Is it part of your TOR?*

Dr. Salihin bin Abang: Kita yang *money trail* itu because of that another authority yang kena buat. Maknanya kita at audit committee tidak ada, itu yang ada authority to do that is actually SPRM also polis, Yang Berhormat. Akan tetapi of course, kita assist-lah untuk bantu SPRM and also yang authority untuk membuat this investigation lah, Yang Berhormat.

Tuan Prabhat Kumar: Just to hear slide number 24 where I mentioned about double claims by CAD for the same services for CMS. I have mentioned at the bottom in front of figure of RM537 million. That this figure was arrived after due discussion with Captain Azhar Jumaat, the Programme Director of LCS who was of the same opinion, and he consented about our findings. However, we need to consult an independent expert as what I have mentioned to you during my explanation.

Now, as I have mentioned that there was a change in the currency, so this is what we have mentioned based on the minutes of CAD meeting dated 10th October 2013, Gordon highlighted – he was the CEO – that CAD had to incur substantial loss due to forex fluctuation on LOAs of towed array sonar and main surveillance radar system for the LCS Programme. Then, the chairman, Tan Sri immediately acknowledged the concerns expressed by Gordon Hargreave and proposed for a change in currency from Ringgit to Euro. Now this is something very unusual for this LOAs.

Instead, the chairman could have suggested plenty of available measures to minimise the loss. For example, booking the foreign currency in advance and so on and so forth. The loss due to currency fluctuation, rather than pushing the burden on BNS without informing and seeking approval from BNS Board. Because he was – that is the problem when a single person is conflicted – when he works with a conflict of interest then he's bound to take this kind of decision.

Tan Sri could have taken care of the larger interest of BHIC group which he was representing at CAD rather than the interest of CAD. During the board meeting of BHIC, the audit committee of BNS also raised their concerns about the impact of foreign losses on the profitability of BNS due to the LCS programme. But in vain; nobody took any action. As a result of his unilateral detrimental commitment, it was noted that the currency of the said 2 LOAs were changed from Ringgit to Euro resulted in a net loss of RM13.4 million to BNS on that day itself based on the difference in currency rate. We have derived that out, that figure.

It gave an impression that Tan Sri was more inclined to safeguard the interest of CAD rather than BNS for the group's interest. This resulted in an additional liability on account of increased ringgit value of the said procurements. The following

calculation reflect the loss incurred by BNS. The figure of RM13 million has been, how we have derived – this is mentioned there so I don't need to go through.

Potential loss due to involvement of CAD/CED. Overlapping LOAs issued in favour of CED in 2012 for BIT Centre despite having part of the original LOA for RM898 million.

Double claims for the same services with different nomenclature related to service costs and Combat Management System integration also confirmed by Captain Azhar. To note, expert opinion is required again, which in our opinion is RM537 million. Potential loss sustained due to change in currency is RM13.48 million, combined together RM855 million. So, what I'm trying to emphasise here is RM1 billion is hidden here, approximately RM1 billion. This could have been recovered easily, could have been if the supposed action would have been taken. Now notice, the figure of RM855 million is the total value committed by BNS. It does not represent the actual loss incurred by them.

Based on percentage of progress payment till 2014, BNS paid approximately 50 percent of the total amount involved; that is RM400 million approximately. We still need to consult an independent expert to accurately identify the areas of losses and the amount involved. Because we are not technical person, we only work out based on financial figure and we can't be very sure about – of course we have taken Captain Azhar's opinion also and he has consented. He is quite an experienced person also and he is currently – is he there still, Captain Azhar? He is currently, and at that time also he was the head of this programme.

Role of DCNS/Naval Group. Appointed as a subcontractor for SETIS CMS at an initial value of only RM287 million which was revised to RM397 million due to additional scope, which again in a very clandestine way. This again needs to be understood by a technical person. DCNS claimed that CMS was a proven and off the shelf system, however evidence indicated that it was an under-developed system and posed a significant risk to the program of LCS. This happens due to lack of expertise on our side. We could not determine what we are buying from them whether it is complete or not complete.

They keep on increasing and adding the value to the initial amount and that is the reason why I was very surprised that how they decided in to 2010 that – we're going to sell to the Malaysian government.

Appointment as a subcontractor for the supply of GOWIND Design at an initial value of RM178 million which increased by five times to RM1.36 billion till 2018 due to issuance of numerous VOs. Due to lack of expertise of Anuar Murad in designing

the warship, the design contract was not properly negotiated with DCNS and the scope was weak.

It is very important to mention how Anuar Murad was appointed. It is another issue I can't discuss here right now. But he was not – he did not come through proper vetting system, you know. Selection of DCNS resulted in writing off RM455 million from the LCS Programme for the NGPV design which was earlier, you know.

Anomalies to DCNS design contract. Khalid Mohd, an ex-member of commercial team expressed his concerns on the lack of involvement of commercial team during the evaluation of the offer made by DCNS. He was very disappointed and frustrated, he said we had so long experience. Our team should have been given a chance but the moment we used to raise questions, we used to – overpowered or you can say we were asked not to ask question, which is not, yes, it would be better to the board if the user to be silent.

It appeared that the technical and commercial team were not provided with the necessary exposure to evaluate the wisdom of cost associated with each component. The history of DCNS and its unethical practice to bribe Malaysians during the deal is well documented which were filed in the court by the investigative agencies in France. This is based on internet search. A global settlement with DCNS was signed in 2015 where the ceiling price of the services offered by DCNS would be fixed at EUR375 million.

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However, the settlement was lopsided as DCNS gained a lot of advantages due to persistent problems between BNS and the Royal Malaysian Navy (RMN). So, we lost that money yes.

Datuk Wira Dr. Mohd. Hatta bin Md. Ramli: *Before you proceed, can we go back one slide earlier?*

Tuan Prabhat Kumar: *Yes, yes.*

Datuk Wira Dr. Mohd. Hatta bin Md. Ramli: *The role of DCNS. The role – ya, this one. [Merujuk kepada pembentangan slaid]*

Tuan Prabhat Kumar: *Yes.*

Datuk Wira Dr. Mohd. Hatta bin Md. Ramli: *The last box at the bottom ya. Selection of DCNS resulted in writing off RM455 million from the LCS programme for the new generation patrol vessel.*

Tuan Prabhat Kumar: *Correct. This was the German design you know.*

Datuk Wira Dr. Mohd. Hatta bin Md. Ramli: *[Bercakap tanpa menggunakan pembesar suara] This is what I was asking just now. The money for LCS was used to pay...*

Tuan Prabhat Kumar: *Not to write off. It is already a loss in the books.*

Datuk Wira Dr. Mohd. Hatta bin Md. Ramli: *But...*

Tuan Prabhat Kumar: *It is an accounting entry. It is an accounting entry.*

Datuk Wira Dr. Mohd. Hatta bin Md. Ramli: *So, no money from LCS, lost there?*

Tuan Prabhat Kumar: *Ya, because you see what happened, if BHIC has already paid earlier, it is since then standing in the books. Supposed to be adjusted against the project. When project was scrapped, the loss is still in standing. That was I am trying to say.*

Datuk Wira Dr. Mohd. Hatta bin Md. Ramli: *The project is scrapped?*

Tuan Prabhat Kumar: *Ya, that is why because they changed the designer. They changed the design to DCNS.*

Dr. Salihin bin Abang: *Yang Berhormat, kalau saya boleh understand Yang Berhormat punya question tadi itu. Because of sebelum ini BNS ini ia owned by Tan Sri Amin Shah Omar Shah kan? So then, I think Boustead was asked to take over this company and then proceed. So, are you saying that – dahulu, yang projek dia itu ada dalam akaunnya ada liabiliti, liabiliti.*

So, that liability sekarang ini kita kena tanggung. So, RM9 billion yang projek yang kita ada ini termasuk dalam itu juga. Dalam kita punya – kalau saya tidak silap Yang Berhormat ya, dekat liabiliti ada lebih kurang dalam RM300 juta juga, Yang Berhormat. Sekarang ini maknanya projek kita yang RM9 bilion tadi itu, BIT Centre RM300 juta, yang liabiliti yang kita kena settle-kan daripada kita take over yang lepas itu, which we have not done the proper due diligence, ada RM300 juta lebih lagi yang kita kena bayar, Yang Berhormat.

So, projek sebenarnya memang duit itu tidak akan jadi cukuplah Yang Berhormat, yang RM9 bilion. So, it minus RM300 million yang itu, then minus lagi RM300 million yang itu. So, memang tidak cukuplah Yang Berhormat, sebenarnya. Is that, is that Yang Berhormat punya concern, Yang Berhormat?

Tuan Pengerusi: *Mungkin saya – Dr.*

Datuk Wira Dr. Mohd. Hatta bin Md. Ramli: *Ya, that is why I was asking earlier ya.*

Dr. Salihin bin Abang: *Yes, yes ada balance itu Yang Berhormat...*

Datuk Wira Dr. Mohd. Hatta bin Md. Ramli: *Kita gunakan duit ini untuk offset that but according to your explanation here, if DCNS was not selected, then probably...*

Tuan Prabhat Kumar: *This loss would have been recovered.*

Datuk Wira Dr. Mohd. Hatta bin Md. Ramli: *Ya.*

Tuan Prabhat Kumar: *This loss would have been recovered. Yes.*

Datuk Wira Dr. Mohd. Hatta bin Md. Ramli: *So, since we apa selected DCNS, they bring up this issue back-lah kan, begitu?*

Tuan Prabhat Kumar: *It has got a long history. It is connected with something else you all know very well.*

Datuk Wira Dr. Mohd. Hatta bin Md. Ramli: *But was this reflected in the contract, this amount?*

Tuan Prabhat Kumar: *No.*

Wira Dr. Mohd. Hatta bin Md. Ramli: *No, ya?*

Tuan Prabhat Kumar: *No, no. It was not reflected contract. It has nothing to do with because this is their internal accounting arrangement. When they have expected certain amount of profits which was supposed to be earned by BHIC, they have to adjust that loss with this, you know. With expected profit from BHIC. This is the sunk cost you know. Yang Berhormat, this is sunk cost here.*

[Ahli-ahli berbincang semasa sendiri]

Tuan Pengerusi: *Soalan saya kepada Dr. ya, saya hendak dapatkan sedikit penjelasan lanjut. I think soalan daripada Yang Berhormat Lumut adalah amaun sejumlah RM455 juta ini yang dikatakan write-off daripada NGPV design. Sama ada amaun itu dimasukkan sekarang dalam kos pembiayaan projek LCS. So, I think that was your question. Ini disebabkan sini forensic audit team kata writing off.*

So, writing off ia ada dua. Okey, mungkin kata BNS bagi projek ini kepada DCNS, so DCNS write off the old one-lah, tidak apa. Akan tetapi, menurut Dr. tadi, apa yang saya boleh faham adalah RM455 juta ini dipindahkan dan di-transfer ke dalam kos LCS dan menyebabkan pembiayaannya tidak cukup. So, which is which?

Dr. Salihin bin Abang: *I think, I think Tuan Pengerusi because of I think for the explanation of the writing off ini, I think maybe I will ask Mr Prabhat Kumar to explain. The issue I think raised by ini tadi, if I correctly understand Yang Berhormat Lumut ya, on whether any hendak bayar liabiliti-liabiliti yang lepas itulah, yang itu.*

So, I think Yang Berhormat it is totally two different issue-lah Yang Berhormat ya. So, I think on this one, on yang tadi itu, saya – I need to check the document itu Yang Berhormat Lumut on the ini sebab because of what I understand, apabila kita buat the position review when it first came in also, there was an issue highlighted which is the liability carried forward from the previous company that we have to actually pay.

Ada dalam kita punya balance sheet sekarang ini that liability. We are paying sebenarnya now. So, apabila yang macam itu, itu kita sepatutnya apabila kita buat proper due diligence Yang Berhormat, sepatutnya apabila kita take over, yang itu

sepatutnya *company* yang lamalah bayar. *It is not part but because of* sekarang ini, *there is no other means to pay, so that one* akan termasuk sekali dalam apa yang ada kita sekarang inilah.

Projek yang kita ada sekarang ini maknanya termasuk sekaligus dalam *whatever – because* kita dapat *this amount of contract RM9 million*. Akan tetapi, kita kena bayar yang lain pula *which is I think carried forward* daripada yang *company* yang lain. Ada di situ. Itu menyebabkan satu kekangan jugalah kepada *overall project cost* itulah Yang Berhormat.

Tuan Pengerusi: *So, maybe I just want a simple question. Was this RM455 million been carried forward from the old project to the new project?*

Dr. Salihin bin Abang: *No, I think maybe Mr. Prabhat Kumar can ini, can ini...*

Tuan Prabhat Kumar: *[Bercakap tanpa menggunakan pembesar suara] It is in the books of accounts.*

Tuan Pengerusi: *What does that mean in the books of accounts?*

Tuan Prabhat Kumar: *Means it is a...*

Tuan Pengerusi: *So, my question is whether this RM455 million which was from the previous project, was it transferred out of the payment required to be paid?*

Puan Hajah Saadatul Nafisah binti Bashir Ahmad: *Yes, Tuan Pengerusi.*

Tuan Prabhat Kumar: *It has to be gradually written off. It has to be. It is standing in the books of accounts, which has no value.*

Tuan Pengerusi: *Okey.*

Tuan Prabhat Kumar: *It is something like we can say something as an asset which has no value.*

Tuan Pengerusi: *Does BNS need to pay for this amount?*

Tuan Prabhat Kumar: *For that, we need to – this one is beyond our scope of work. I would like to apologise here to all Yang Berhormat that actually this would have been deleted from – this was only for the board of directors. By mistake, it was added here. It was out of the scope of my works. So, we cannot comment in detail about this. We have seen this figure in the books of accounts. That is all.*

Tuan Pengerusi: *Maybe we...*

Tuan Prabhat Kumar: *Then, we enquired, we knew the history of the figure; how it arrived and how it is connected to the LCS programme.*

Tuan Pengerusi: *Okey, any comment from BHIC; Dr. on this? So, my question is very direct. So, ada hutang yang belum bayar RM455 juta itu. In our previous proceeding in Lumut, we were told I mean the current BNS need to pay that from the RM9 billion. So, what is the position? Is it correct for me to understand that?*

Dr. Salihin bin Abang: Ya, *I think correct*, Tuan Pengerusi. Akan tetapi, amaunnya saya tidak berapa pasti sama ada RM455 juta ataupun ia punya ini. *But there is an amount* daripada *balance sheet* yang lepas, *company* yang lepas *before we acquired*. *It is still there*. Now, we have to actually pay. Then, that from part of ia punya inilah, total ia punya kontrak itulah, Tuan Pengerusi.

Tuan Pengerusi: Ya, *very clear*. So, can you give us the exact amount after this?

Dr. Salihin bin Abang: Okey, *I will*.

Tuan Pengerusi: Please sekretariat take note. I invite Yang Berhormat Naib Pengerusi, silakan.

Datuk Seri Panglima Hajah Azizah binti Datuk Seri Panglima Haji Mohd Dun: Terima kasih, Tuan Pengerusi. Kurang lebihlah soalan saya itu tadi sebab kita dimaklumkan hari itu, BNS sekarang ini kena membayar hutang-hutang yang sebelum ini. Adakah ini sebahagian daripada perjanjian yang saya dengar tadi? Ada syarikat itu diambil oleh BNS *kan*? Jadi, adakah itu termasuk dalam perjanjian pengambilalihan syarikat itu tadi bahawa *you have to pay the* hutang?

Dr. Salihin bin Abang: Kita, saya tidak tengok ia punya – *Assalamualaikum* Yang Berhormat. Okey, terima kasih. Ia punya *main*, ia punya ini, kita kena *check* balik ia punya *main document of this privatisation punya project agreement*, Yang Berhormat. Kalau kita, kalau Yang Berhormat boleh beri kita masa, *then, I will ask my legal people to actually to look into this one*. Sama ada – *because of I think* apabila kita – ini terjadi Yang Berhormat, apabila kita tidak buat *proper due diligence*. Apabila kita *asked to take over the company*, kita kena buat *due diligence*. So, sepatutnya ini kerana *normal circumstances*, hutang dia, dia kena bayarlah Yang Berhormat. Hutang kita, kita kena bayar.

■1250

Akan tetapi, sebab sekarang ini apabila kita tidak buat *proper*, so hutang itu kita kena tanggung. *There is a possibility of* BNS bayar hutang orang yang terdahulu itu. Akan tetapi *that one, to confirm whether that one is part of the privatisation* punya projek dalam kita punya LCS ini, *I got to confirm* Yang Berhormat. Akan tetapi sekarang ini untuk pengetahuan Yang Berhormat, itu termasuk dalam ini yang kita kena selesaikan. Itu *add up to* kita punya *tight cash flow* jugalah sebab itu tak termasuk dalam kita punya ini, dalam kita punya perbelanjaan kita sepatutnya. *It is because the government* bagi kita RM9 bilion untuk *settle* yang ini, tetapi *government* mungkin tak beritahu kita untuk *settle* orang punya hutang. Macam itu Yang Berhormat. Boleh Yang Berhormat ya, nanti kita *supply the agreement* itu ya.

Tuan Pengerusi: Ya, terima kasih. Yang Berhormat Lumut, sila. Selepas itu, Yang Berhormat Sik.

Datuk Wira Dr. Mohd. Hatta bin Md. Ramli: Ya. Cuma bila kita balik kepada ini tadi itu, dah di-explaine bahawa *this slide, that part of the slide should not be in this slide*. Akan tetapi oleh sebab *you let the cat out*, apakah – DCNS ini peranan dia dalam LCS ini ialah *design* ya? Dia buat *design* atau macam mana?

Dr. Salihin bin Abang: DCNS/Naval Group, ya.

Puan Hajah Saadatul Nafisah binti Bashir Ahmad: Ya.

Datuk Wira Dr. Mohd. Hatta bin Md. Ramli: *Design* kan?

Dr. Salihin bin Abang: Betul. Ya, *design*.

Datuk Wira Dr. Mohd. Hatta bin Md. Ramli: *So, how do they do it so that – sorry. Back to the other issue*. Hutang yang ada dalam projek *new generation patrol vessels* itu, ertinya hutang dengan DCNSkah? Kalau ikut caranya itu, cara ayat dalam kotak itu, *“By selecting DCNS, you can write off”*. *Meaning to say, if the design was actually – let’s say, RM800 million* harganya, maka *to settle this, the design becomes RM1.3 billion*.

Dr. Salihin bin Abang: Okey.

Datuk Wira Dr. Mohd. Hatta bin Md. Ramli: *Is it right for me to assume that can be part of the plan? So that, hutang masuk, selesai*. Jadi, DCNS *get their RM455 million plus the RM800 million of the current ships*.

Dr. Salihin bin Abang: Okey Yang Berhormat, *to be fair also* Yang Berhormat, saya kena tengok dia punya *the master punya agreement* itu Yang Berhormat, *to answer your question because of* kalau kita tak tengok – *because of* apa yang saya faham, *because of* BNS ini asalnya adalah *business focused* daripada Tan Sri Amin Shah dulu. *So, they were – because of* NGPV punya projek ini tak berapa berjalan juga, *so takeover. Government during that time I was told, asked to take over the project and then also they are given this thing*. Akan tetapi itulah, bila dia *take over* itu, BNS *business focused* dulu itu dia *take over* semua. *All the liabilities, all the balance sheets* sekali, *company* itu. *So, the company* itu ada liabiliti dalam itu. *So* bila *takeover* macam itu, *of course* kena *settle the liabilities* because that one dengan bank semua. Akan tetapi *give me some time to get this one* Yang Berhormat dan juga Yang Berhormat Timbalan Pengerusi tadi, *to look into the documentation on this one. Then, I think I will discuss also with Mr. Prabhat also*, apa dia punya sebenarnya dia punya maksudkan di sini, Yang Berhormat.

Datuk Wira Dr. Mohd. Hatta bin Md. Ramli: Saya rasalah, seolah-olah macam DCNS ini *is given the first right of refusal because of something that happened before*.

Dr. Salihin bin Abang: Ya. Kalau ikut ia punya di sini, tahun 2010 dia dah dapat. *Project contract* tahun 2012 Yang Berhormat. *So I think, they are* inilah Yang Berhormat. *So, they are preferred.*

Datuk Wira Dr. Mohd. Hatta bin Md. Ramli: *Preferred.*

Dr. Salihin bin Abang: Ya. Okey.

Tuan Ahmad Tarmizi bin Sulaiman: Tuan Pengerusi, tadi balik tadi berkaitan dengan yang dijumpai maknanya pembayaran untuk hutang luar daripada kos yang sepatutnya. Jadi, daripada segi maknanya *payment* itu, adakah situ berlaku maknanya *claim* yang tidak betul ataupun aliran tunai itu maknanya langsung daripada MOF ataupun daripada sudah yang berada dalam akaun BNS itu sendiri selepas dia membayar kepada pihak lain? Jadi, di situ nampak bagaimana dia membuat proses itu ya?

Dr. Salihin bin Abang: Yang Berhormat, dia punya ini Yang Berhormat, kalau boleh saya respons. Ini sebab bila *take over* BNS punya daripada *company* yang lain, di dalam dia punya penyata kewangan itu, dia sebelum itu dia ada hutang Yang Berhormat, lebih kurang RM300 juta ataupun RM400 juta dalam itu ada. Bila kita *take over*, maknanya kita *take over, take over company* ini. Bila kita *take over the company*, so kita *take over* dia punya *balance sheet* dengan dia punya *all the liabilities* itu. So, bila dia di situ, *automatically* kita kena bayar dia punya liabiliti semua sekali. Itu yang tak dibuat *proper due diligence* saya rasa Yang Berhormat. Bila tak buat, memang kita – Kalau kita beli macam ini kan, *simple* kalau kita beli *company*, kita kena *check* semua sama ada *company* ini ada hutang atau tak ada hutang, aset dia ada ataupun tak ada, semua Yang Berhormat. Akan tetapi apabila itu tak dibuat, *company* ini tiba-tiba bila kita dah beli, sudah *sign agreement* untuk *take over*, tiba-tiba ada hutang rupanya *company* ini. Itu yang kita kena ini. Itu yang terjadi yang ada dekat sini. Ada hutang rupanya. So, hutang dia dalam kurang dalam RM300 juta ke RM400 juta macam itu yang *we – because the company* sudah kepunyaan kita, kita dah jadi *shareholder*. So, *we have to settle*.

Puan Hajah Saadatul Nafisah binti Bashir Ahmad: *[Perbincangan secara tanpa rekod]*

Tuan Ahmad Tarmizi bin Sulaiman: Pembayaran itu dibuat *report* kepada MOF atau bagaimana?

Puan Hajah Saadatul Nafisah binti Bashir Ahmad: Saya tidak berapa pasti sama ada kita maklum kepada MOF. Kita dapat duit itu daripada MOF lah untuk tujuan pembayaran LCS.

Tuan Ahmad Tarmizi bin Sulaiman: Ya. Akan tetapi, sudah pasti mesti ada *report*.

Puan Hajah Saadatul Nafisah binti Bashir Ahmad: Ya, yang kita tahu, sampai sekarang BHIC masih membayar hutang itu lagi. Belum *settle*, belum habis.

Tuan Pengerusi: *Okay, thank you. Proceed please Mr. Prabhat.*

Tuan Prabhat Kumar: *We are at the tail end of this report. The last two slides are very important as I mentioned earlier. How they used to manipulate and issue additional VOs to compensate for the money. As I have mentioned earlier about IHC Metalix which was selected to supply the hull kit you know. So, the commercial team of BNS had shortlisted two bidders for the procurement of hull construction steel kits after tender bidding and evaluation process. Now, the whole thing came out through the tender papers which were issued. So, we went through very carefully, then we realised it. The Centraalstaal was another company which was on the top.*

The commercial team recommended Centraalstaal as their bid was lower by EUR700,000 compared to IHC. Now, Anuar Murad gave instruction to IHC to match the Centraalstaal's bid, which appeared against the ethics and basic norms of governance. This means, first they negotiated, negotiated and ultimately when he reduced the prices, still his price was lower by EUR700,000. So then, Anuar Murad contacted IHC Metalix and asked them to reduce the price to EUR700,000, so that he can issue the order in their favour. Now, the beautiful part is that this matter, Anuar Murad gave instruction to IHC to match the Centraalstaal's bid which appeared against the ethics and basic norms of governance. BNS issued the LOA to IHC against the recommendations.

Now what happened, let me explain this explanation. The LOA was issued in favour of IHC by Anuar Murad and his superior, Tan Sri ignoring the recommendation of technical and commercial team. Khalid Mohd expressed anguish over an unethical practice to ask and he had provided all the related documents to us during our investigations and discussions. Because he had already retired, so he had – But still he had lots of information and things, so he managed to come to Kuala Lumpur and explained to us. Khalid Mohd expressed the anguish over the unethical practice to ask for reduction in the price by IHC to match the final price agreed with Centraalstaal; another bidder for steel kits, after a series of negotiations, at more advantages terms.

Despite Centraalstaal's letter to Tan Sri Lodin addressing the suspected irregularities in the tender process, no corrective measures were taken. Then what happened; IHC reduced to EUR700,000. How he was compensated, this is the answer. Issuing a VO for a mill certificate which comes along with the material as per industrial standard for a value of EUR935,000 reflected irregularities and malpractices while dealing with the precious resources of the company.

■1300

Upper far side as you can see €700,000 was reduced to match the best bid price. Then, in order to compensate that person, who was the favorite bidder, they issued a VO asking them to supply the steel kits which was part of – if you look into the tender paper it is very clearly mentioned. Still, they paid separately and paid that money to them. The money was paid already.

Our direct communication with Centraalstaal. We called the company; you know in Europe. With Centraalstaal and review of the VOs have confirmed the following facts; the condition of the submission of a mill certificate along with steel kits was part and parcel of the original request for quotation (RFQ) and this requirement was not specifically removed during negotiation. Hence, subsequent issuance of VO in favour of IHC on the pretext that such terms were removed as stated in the said VO was false and misleading. This was mentioned when VO was issued. It was mentioned in the VO to give justification, you know. Why I'm issuing the VO for that.

Now RFQ dated 4th May 2012 and 7th April 2014 provided a scope of supply according to the rules of Bureau Veritas. He [Kurang jelas] who prepared the tender paper, you know.

As per the industrial practice, it is common to supply bill of material and material tracing detail, along with the material. It was also confirmed that issuance of VOs after production for the supply to provide material tracing detail is practically not possible. Once you have supplied the material, how can you ask them to supply the tracing of the material which is already gone then, you know.

Conclusion, review and analysis of the related documents and history of transactions have indicated irregularities, deception and mismanagement involving senior officers and few subordinates who blindly followed the instructions rather than raising the red flags. Breach of fiduciary duty and responsibilities appeared apparent during our review.

Most of the LOAs were issued before 2014, but its execution cascaded till 2018. Unless these transactions and related activities are examined in detail, possibilities are high that some of the convincing facts would not be established and may pose a serious threat in establishing the crime against the suspects.

In order to draw an independent valid conclusion, any restrictions on financial transactions of CAD, its banking records and procurement-related activities have to be removed. That's all, thanks to all of you for listening to the explanation. If you have any questions, you are most welcome YB.

Tuan Pengerusi: *Thank you. Any further questions from the committee members? Ya, Yang Berhormat Pagar, please.*

Tuan Haji Ahmad bin Hassan: *In conclusion, based on your forensic audit whatsoever, the total amount being manipulated and siphoned off from the LCS program as of 2014, how much?*

Tuan Prabhat Kumar: *Total amount is how much? This amount. [Merujuk kepada slaid]*

Tuan Haji Ahmad bin Hassan: *Oh okey.*

Tuan Prabhat Kumar: *About RM1 billion.*

Tuan Haji Ahmad bin Hassan: *As of 2014.*

Tuan Prabhat Kumar: *Oh, until 2014 is this amount.*

Tuan Haji Ahmad bin Hassan: *Oh, this amount. Okey.*

Tuan Prabhat Kumar: *This is based on our findings.*

Tuan Haji Ahmad bin Hassan: *Okey.*

Tuan Prabhat Kumar: *Okay, as you can see which is very clearly mentioned here at the bottom, till that 2014 amount manipulated is RM400 million. This is the total amount which again needs – through these details, yes. [Merujuk kepada slaid]*

We have to go through that. Once this is cleared, the figure may be much higher. Because we can't include that figure, which we are not very certain due to technical limitations. Thank you, YB.

Tuan Pengerusi: *Ada soalan lagi daripada Ahli-ahli semua?*

Datuk Wira Dr. Mohd. Hatta bin Md. Ramli: *Tuan Pengerusi.*

Tuan Pengerusi: *Ya, sila Yang Berhormat Lumut.*

Datuk Wira Dr. Mohd. Hatta bin Md. Ramli: *In your last evidence given on the tender process. I think not only that we are paying €700,000 more but in fact more than €700,000. €900,000 over pula lagi ya.*

Tuan Prabhat Kumar: *Yes.*

Datuk Wira Dr. Mohd. Hatta bin Md. Ramli: *So, I think this is a very blatant misuse of power...*

Tuan Prabhat Kumar: *Yes.*

Datuk Wira Dr. Mohd. Hatta bin Md. Ramli: *...against the ethics in awarding contracts. Who will be the authority to look into – I mean we can come up any resolutions. But this is – is this criminal or is this just unethical?*

Tuan Prabhat Kumar: *This is certainly unethical and this is also we can say criminal breach of trust (CBT).*

Datuk Wira Dr. Mohd. Hatta bin Md. Ramli: *Oh, breach of trust.*

Tuan Prabhat Kumar: *Yes, certainly CBT.*

Tuan Pengerusi: *Ya, perhaps we just get the views from AGC on this. The criminal element over, if at all, or what was found out by the audit team is true. What will be the criminal element like?*

Puan Zarinah binti Mat Jailaini [Ketua Unit (Sektor Penasihat) (Bahagian Penasihat) Unit Projek Khas, Jawatankuasa Khas / Majlis Khas]: *Yang Berhormat Tuan Pengerusi, if it is CBT then I think it is still – they already made a report to the police, right? They already made a report to the police and already made a report to SPRM. So, it depends on the siasatan by SPRM and the police dahulu. Then dia selesaikan siasatan then forward to DPP then AGC. Then, we will look into it. Before we can take any action.*

Tuan Pengerusi: *I think the question is what type of criminal element is here. Either CBT or cheating or how? What is the view from the AGC? I mean if these facts are found out to be true and if anything has been established. Of course, I understand the police and MACC need to investigate first. But I'm now saying sekiranya apa yang dinyatakan ini adalah benar, sah dan juga mempunyai kes. So, what type of criminal elements is there? Is it cheating, CBT or corrupt practice?*

Puan Zarinah binti Mat Jailaini: *I think it is not right for me to answer that question right now. Because kertas siasatan... [Disampuk]*

Tuan Pengerusi: *Come on-lah. I'm asking you from a general perspective. I'm not asking you by pointing into any of the person who has been named in this. So, as a legally-trained person, I'm not a criminal lawyer. So, I do not know whether CBT or cheating. Which one is more suitable or both elements are inside? So, that is my question to AGC. Bukan kata hendak bagi tahu sekarang, "Look, this is a CBT. Must go into it." No. I'm asking dengan fakta yang sedia ada dan sekiranya, fakta ini adalah tepat dan juga mempunyai kes, what type of criminal element is that?*

Puan Zarinah binti Mat Jailaini: *Untuk makluman Tuan Pengerusi, saya adalah daripada bahagian advisory. I'm not from the prosecution division. But considering elemen-elemen yang dikatakan itu, I'm not really very clear sama ada more than one – one or more kesalahan telah dibuat. Then, kita kena tengok juga. Whether cukup lengkap atau tidak elemen-elemen yang dikatakan sebelum we can make a decision. I think sama juga dengan SPRM. Then, you have to look into all the evidence, all the facts dahulu baru kita boleh buat decision. Jadi, kalau hendak kata... [Disampuk]*

Tuan Pengerusi: *So, my simple response to you-lah. I hope you understand. My simple response here. I cannot say this is a murder case kan? I cannot say this the rape case kan? So, can I say this a cheating case, or this is a CBT, or this involves corrupt practice. That is my simple question. Simple as that.*

Puan Zarinah binti Mat Jailaini: *It is more of CBT.*

Tuan Pengerusi: *Okay, thank you so much. That is what I want to hear. Thank you. Ya, Yang Berhormat Papar.*

Tuan Haji Ahmad bin Hassan: *We go back to slide number 13. Number two. Okay, lack of proper understanding of designing a warship resulted in poor negotiating with DCNS/Naval Group with common sense lapses. What is that common sense lapses?*

Tuan Prabhat Kumar: *The expert who is currently handling the projects, who is the head of – and he says that – and it was very convincing for me also because he said look at this wording and what they have done and when they asked for VOs; the wording. It appeared almost identical.*

■1310

So, that was what he said with common sense. He said that common men which is even without any technical knowledge can also make out this kind of VOs manipulation. Because this is not necessary at all because this is already stated over there. The only thing what they twisted, they twisted the language and say no this does not mean this, this means this and actually he says ultimately both result in the same design. Same thing, same word.

So, that was what he meant to say that it is not extremely difficult to work it out but since certain people lack that kind of depth understanding, so they just ignore and they accept whatever DCNS say, they said yes, yes, okay, okay and they keep on signing, the VOs for them. That's how the value increased threefold, fold, fold you know.

Tuan Pengerusi: *Thank you. Any other question? Yea, Dr. Salihin, you want to add something, please.*

Dr. Salihin bin Abang: *Tuan Pengerusi on your question just now, just to add on the page 31 just now. The one that you asked to AGC. On this particular issue, we have made a specific report, compiled all the evidence also and we have passed to SPRM on this particular issue. Just to inform.*

Tuan Pengerusi: *Pass to the police?*

Dr. Salihin bin Abang: *Ya.*

Tuan Pengerusi: *Police and SPRM? Or only SPRM?*

Dr. Salihin bin Abang: *SPRM.*

Tuan Pengerusi: *Only SPRM?*

Dr. Salihin bin Abang: *Yea. This specific issue-lah ini, Tuan Pengerusi.*

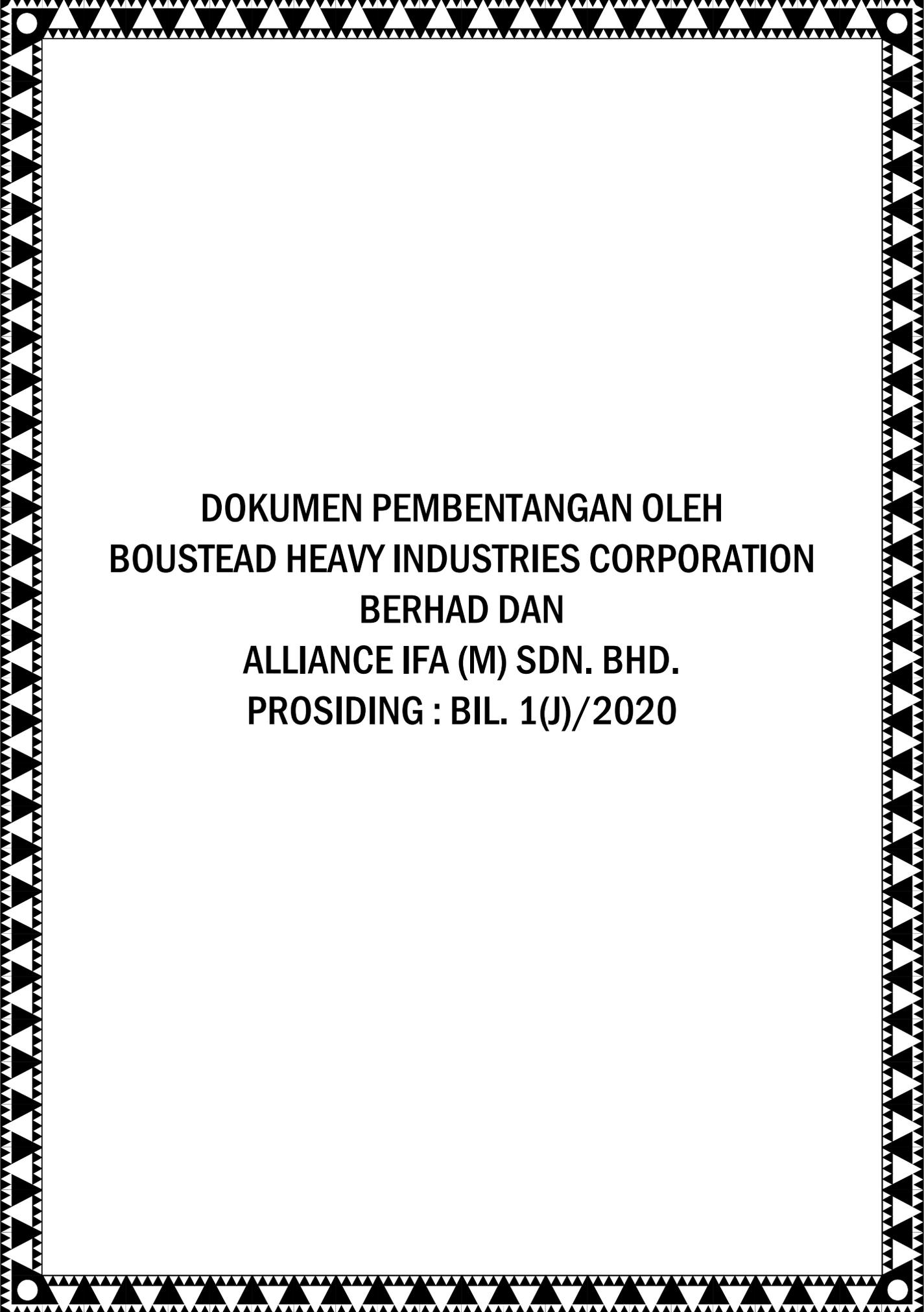
Tuan Pengerusi: *Okay, thank you.*

Dr. Salihin bin Abang: *Okay.*

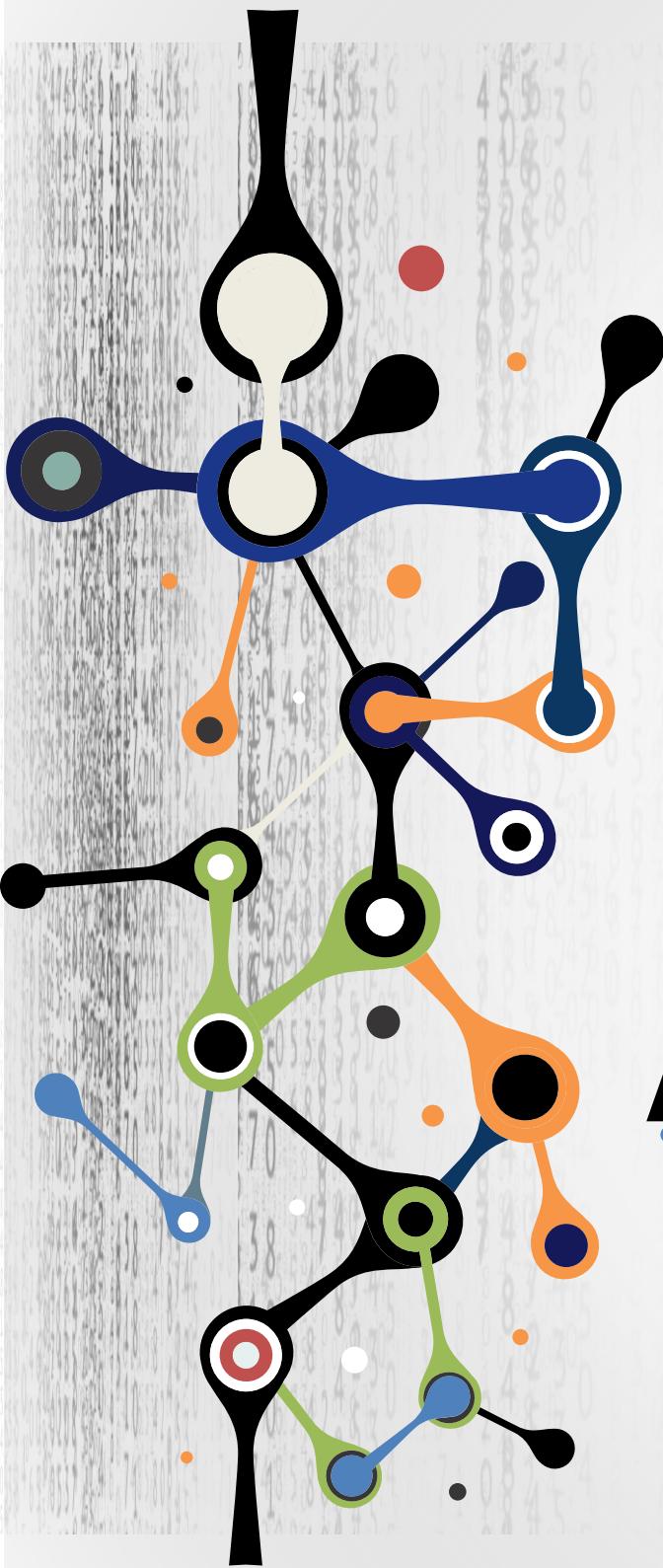
Tuan Pengerusi: Ada lagi soalan daripada ahli-ahli semua? *Any further question from the floor? It is already eleven past one.* Okey jika tidak ada, saya ucapkan terima kasih kepada saksi-saksi yang hadir Dr. Salihin, Puan Hajah Saadatul, Mr. Prabhat Kumar yang telah hadir ke PAC pada pagi ini untuk membentang forensik audit bagi isu LCS kepada pihak PAC. Seperti yang saya katakan tadi, ini merupakan prosiding yang kesembilan sudah. Pihak PAC akan bincang sama ada kita boleh memuktamadkan laporan kita ataupun kita hendak memanggil saksi-saksi dengan lebih lanjut. So, dengan ini sekali lagi saya ucapkan terima kasih kepada Ahli-ahli yang hadir, kepada kesemua ex officio yang telah pun membantu khasnya pada hari ini, SPRM dengan AGC, dan juga ahli-ahli sekretariat.

Lunchbox ada disediakan di luar dan sila mengambil *lunchbox* tersebutlah. So dengan itu sekali lagi saya mengucapkan terima kasih dan penghargaan kepada kesemua saksi. *Thank you.*

[Mesyuarat ditangguhkan pada pukul 1.13 tengah hari]



**DOKUMEN PEMBENTANGAN OLEH
BOUSTEAD HEAVY INDUSTRIES CORPORATION
BERHAD DAN
ALLIANCE IFA (M) SDN. BHD.
PROSIDING : BIL. 1(J)/2020**



ALLIANCE IFA FORENSICS

INTEGRITY

EXPERTISE

EXPERIENCE

RESOURCES



SUMMARY OF FINDINGS

REVIEW OF THE LCS PROGRAMME

PERIOD COVERED: 2010 - 2014

8th March 2022



PARLIAMENT PUBLIC ACCOUNTS COMMITTEE (PAC)
PARLIAMENT OF MALAYSIA



Introduction

16/12/2011

- The Government of Malaysia (GOM) issued a Letter of Award (LOA) to BHIC's subsidiary company Boustead Naval Shipyard Sdn. Bhd. (BNS) for the supply of six Littoral Combat Ships (LCS) to the Royal Malaysian Navy (RMN) at RM9 billion.

2012-2014

- During 2012-14, BNS issued various LOAs to a lead contractor Contraves Advanced Devices Sdn. Bhd. (CAD), Contraves Electrodynamics Sdn. Bhd. (CED), DCNS/Naval Group and other OEMs for the procurement of various components for the LCS even before the contract was finalised with GOM.

17/07/2014

- After price negotiations between GOM and BNS, the contract was signed at the original contract value of RM9 billion.



Board of Directors of BHIC

| No | Name | Position | 2011 | 2012 | 2013 | 2014 |
|----|--|--|------|------|------|------|
| 1 | Tan Sri Dato Che Lodin Bin Wok Kamaruddin | Chairman | √ | √ | √ | √ |
| 2 | Laksmama Madya Tan Sri Dato Seri Ahmad Ramli Bin Haji Mohd Nor (B) | Managing Director | √ | √ | √ | √ |
| 3 | Datuk Azzat Bin Kamaludin | Non Independent Non Executive Director | √ | √ | √ | √ |
| 4 | Dato Ishak Bin Osman | Independent Non-Executive Director | √ | √ | √ | √ |
| 5 | David William Berry | Non-Independent Executive Director | √ | √ | √ | √ |
| 6 | Abd Malik Bin A Rahman | Independent Non-Executive Director | √ | √ | √ | √ |



Management Structure of BHIC

| No | Name | Position | 2011 | 2012 | 2013 | 2014 |
|----|--|-------------------------------------|------|------|------|------|
| 1 | Laksmana Madya Tan Sri Dato Seri Ahmad Ramli Bin Haji Mohd Nor (B) | Managing Director | √ | √ | √ | √ |
| 2 | David William Berry | Executive Director | √ | √ | √ | √ |
| 3 | Datuk Ir. Yahya Bin Hashim | Director, Operations BNS Sdn Bhd | - | √ | √ | √ |
| 4 | Anuar Bin Murad | Director, Defence and Security | - | √ | √ | √ |
| 5 | Ahmad Nordin Bin Mohamad | Chief Financial Officer | - | √ | √ | √ |
| 6 | Siti Naim Binti Jamaluddin | Head, Group Legal | - | √ | √ | √ |
| 7 | Khalid Bin Mohd | Head, Group Supply Chain Management | - | √ | √ | √ |



Summary of Findings

- The Terms of Reference (TOR) of the LCS Steering Committee (LCSSC) appeared lopsided as it gave absolute control to the then MD Tan Sri Dato' Seri Ahmad Ramli bin Haji Mohd Nor (TSARN) which resulted in a lack of independence of the committee.
- The LOAs issued to CAD/CED were not presented to the LCSSC for their approval. The BOD had given sweeping authority to TSARN to negotiate the terms and execute various contracts with CAD/CED without seeking their approval.
- The involvement of CAD as an intermediary was without proper planning, study and evaluation of its economic advantage in an orderly manner. This minimized transparency and control of activities over CAD. BHIC merely became an onlooker.



Cont.

- As a result, the terms of the shareholders agreement signed between Rheinmetall Air Defence AG (RAD) and BHIC Defense Technologies Sdn. Bhd. (BHICDT) was drafted in such a manner that BHIC group lost its access to their books of accounts and banking records despite being majority stake holder (51%).
- Anuar Murad (AM) issued a majority of the LOAs without the involvement of the Technical and Commercial team of BNS.
- By changing the definitions of components on a few occasions, the scope of work was increased to find an opportunity for issuing Variation Orders (VOs) which apparently resulted in a double payment for similar services and equipment.
- The terms of the LOAs and VOs were framed in such a manner that it did not serve the best interest of the BHIC group.



Cont.

- It appeared that the scope of an additional LOA for Boustead Integrated Technology Centre (BIT Centre) at RM305 million was already incorporated in the original LOA issued in favor of CAD/CED.
- The ownership of BIT Centre vested with CED despite BNS making payment to CED for its development which appeared against the fundamental interest of the company.
- Despite the recommendation of the commercial and technical team to award the LOA for Steel kits to Centraalstaal BV (Centraalstaal), AM issued the LOA to IHC Metalix BV (IHC) which was approved by TSARN.
- Issuance of two additional VOs in favor of IHC for Mill Certificate and Material Tracing, which by right, should have been part of the original agreed sum.



Cont.

- The board ignored the advice of the Ex-Chief of Navy (YBhg. Tan Sri Dato' Sri Abdul Aziz bin Hj Jaafar) who raised objections on the selection of DCNS/Naval group and over-reliance on CAD.
- The organization structure, SOPP, procurement plan and the Budget for the LCS Programme were neither approved by the LCSSC nor by the Board of BHIC which was a major lapse in terms of governance.
- Major decisions were taken through Directors' Circular Resolution (DCR) which reduced the transparency and opportunity to deliberate and review vital documents before approving them.
- Repeated observations by the internal auditor of BHIC failed to raise the alarm.
- Despite red flags raised by ex-officers of the company, no corrective measures were taken either by the management of BHIC/BNS.

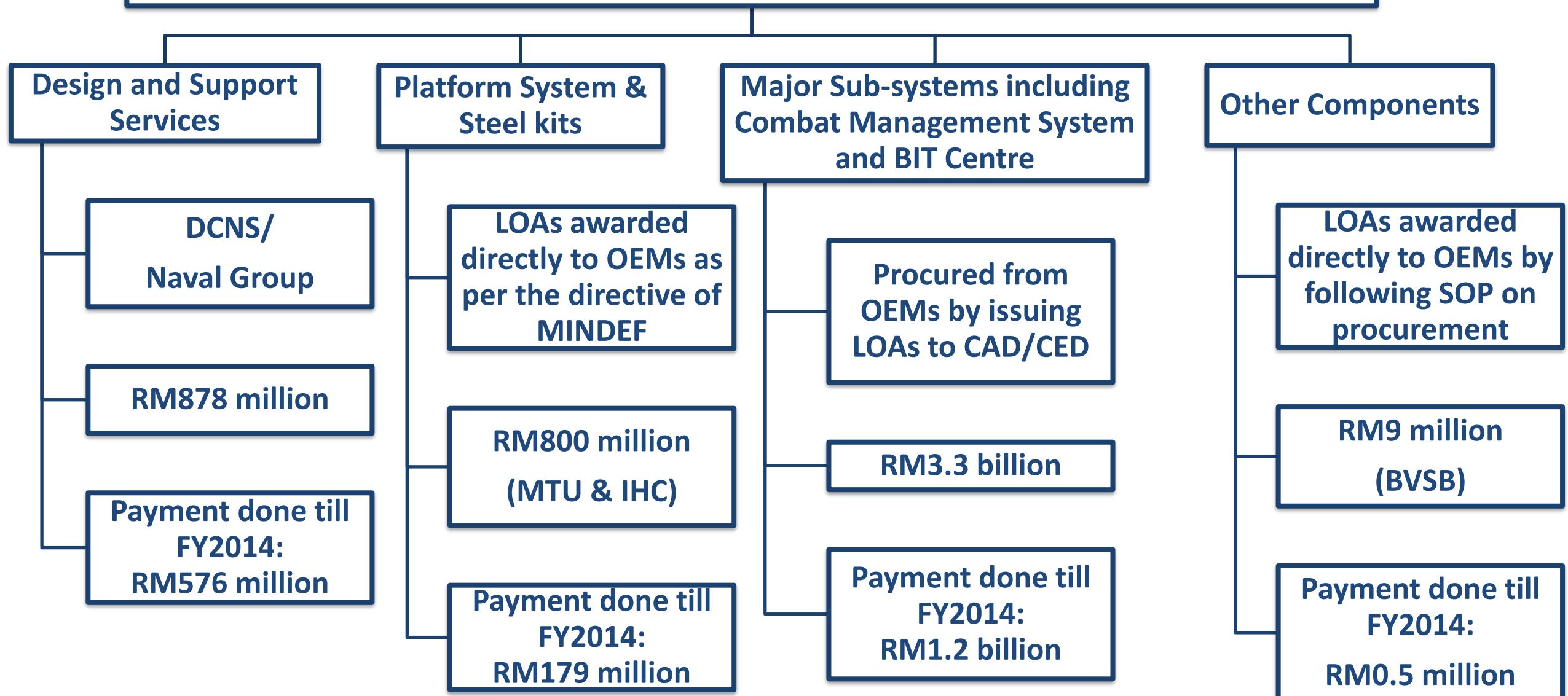


Structure of LCS Procurement

Value of LOAs covered during our review (2011-2014): RM5 billion

Progress Payments till FY2014: RM1.94 billion approximately (40%)

Mobilization payment till FY2014: RM1.02 billion without any deliverables





Lopsided Terms of Reference of the LCS Steering Committee (LCSSC)

The Managing Director (MD) of BHIC would Chair the LCSSC meetings and select all the members of the Committee without the consultation/approval of the Board of Directors (BOD) of BHIC

It appeared that Anuar Murad (AM), the then Programme Director of LCS took advantage of the situation by arbitrarily issuing various LOAs and VOs disregarding the basic norms of governance with the support of his superior YBhg. Tan Sri Ahmad Ramli Nor (TSARN), the then MD of BHIC.

**The Technical and Commercial team members were not allowed to play their due role to evaluate various technical and financial aspects.
Even the Group Legal Head was not involved to identify the weaknesses and legal flaws in the LOAs.**

AM was never reprimanded for any of his wrong doings and side stepping by the Board/LCSSC while issuing various LOAs and VOs.



Cont.

- The LCSSC/BOD also failed to address the concerns raised by the then Chief of Navy, YBhg. Tan Sri Dato' Sri Abdul Aziz bin Hj Jaafar, who represented Royal Malaysian Navy (RMN) on the Board of BNS on the evaluation process for the selection of DCNS/Naval group for Design and support services.
- Involvement of CAD as a Joint venture company itself was not fully discussed and examined by the LCSSC/Board to assess the relative advantages and disadvantages.
- Evidence suggested that the terms of most of the LOAs and VOs issued in favor of CAD/CED were against the interest of BHIC group and were more favorable to CAD & other JV Partner (Rheinmetall).



Facts revealed during our discussion with Ex-Member of LCSSC

- The composition of the evaluation team was determined by AM. In our opinion, this reduced the independence during evaluation of various proposals. Evidence has indicated that AM had on occasions overruled the decisions of the evaluation team.
- Selection of DCNS/Naval Group for GOWIND design had created unprecedented bottle neck. Lack of proper understanding of designing a warship resulted in poor negotiation with DCNS/Naval Group with common sense lapses.
- Knowing the weaknesses of the LCS team including AM, DCNS took advantage of these lapses and capitalized it for their benefits which resulted in multi fold cost over the initially offered price of DCNS.
- AM informed to the LCSSC about various decisions only after it were taken by him in consultation with TSARN.



Cont.

- In order to avoid the query from the LCSSC despite the advancement of LCS Programme, the frequency of meetings by the LCSSC became lesser despite repeated reminder to AM and TSARN.
- The LCSSC's repeated request to convert the LOAs into contract at their earliest were ignored and AM never bothered about it.
- It had become a norm that whenever TSARN was not present in the meetings of LCSSC, the meeting would be postponed. This was despite the fact that other members of the committee offered to Chair the meetings.
- Based on documents available to us pertaining to BNS' Board meetings, we noted that none of the members had raised any objection for apparent red flags and irregularities related to the issuance of LOAs and VOs involving two named officers.



Role of TSARN

Absolute control being the Chairman of the LCSSC on the selection of its members without the approval of BOD

Sweeping authority from the BOD to negotiate and execute the LOAs with CAD/CED

Releasing progress payments to CAD/CED solely on the recommendation of AM

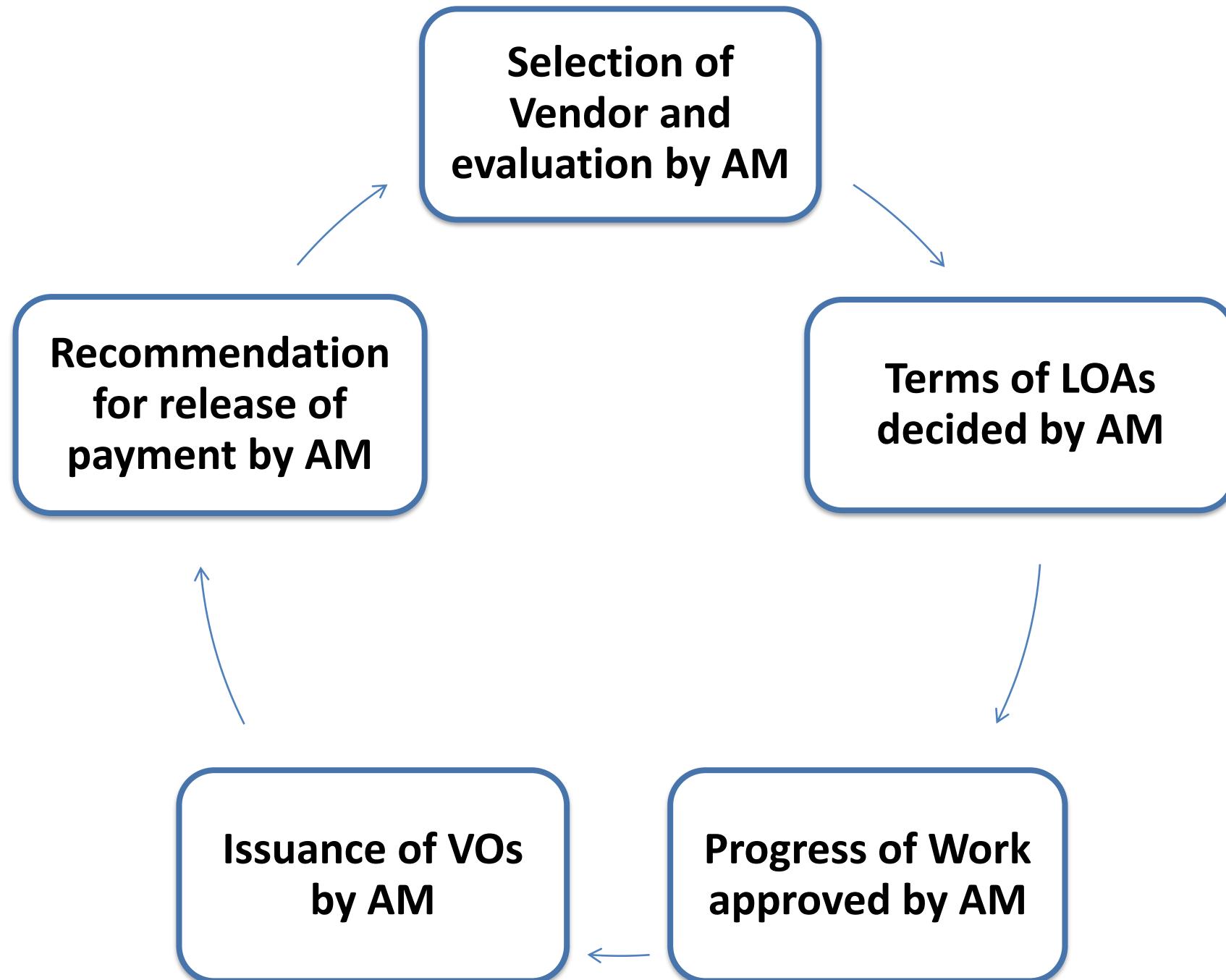
Issuance of LOA to IHC despite the reservations of the technical and commercial team of BNS

No action on a whistleblower's letter highlighting red flags in the LCS programme

Apparent conflict of interest being the MD of BHIC, Chairman of LCSSC and the JV company CAD



Involvement of Anuar Murad



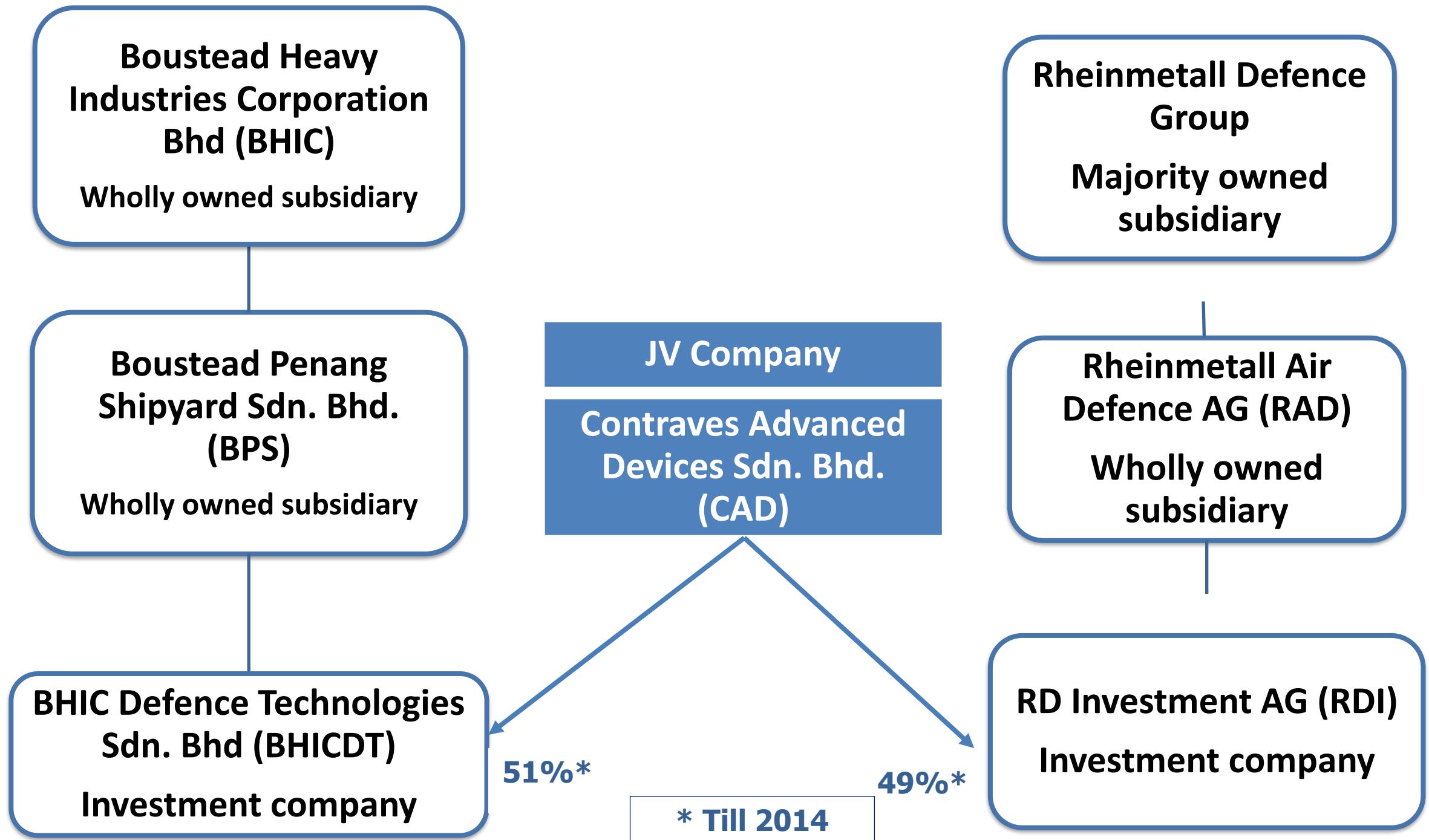


Involvement of Anuar Murad

- It is well established that wherever the senior most person in the procurement process controls most of the phases of the procurement cycle, likelihood is very high that he would misuse his authority for his own objectives as depicted in the above cycle.
- It is clear in case of LCS programme, that AM side stepped the authority of all his subordinates and acted in a manner as if there were only two persons in the whole organization.
- This statement is based on examination of 12 LOAs and numerous VOs.



How CAD was made exceptionally powerful to act against the interest of BHIC





Detrimental Terms of the JV Agreement between BHIC and RAD

The management control of CAD remained with RAD even though BHIC had a 51% majority stake in CAD.

The BOD of BHIC led by YBhg. Tan Sri Dato' Che Lodin bin Wok Kamaruddin (TSLW) agreed to this decision which jeopardized the interest of BHIC.

This decision made it difficult to have any access to the information needed to understand the details of operation of CAD business and to conduct internal audit.

To make the situation worse, the banking mandate approved by the Board of CAD was drafted in such a manner that the authorized signatories' representing RAD had full authority to transact in any business without the involvement of BHIC representatives who never raised any objection to this decision.

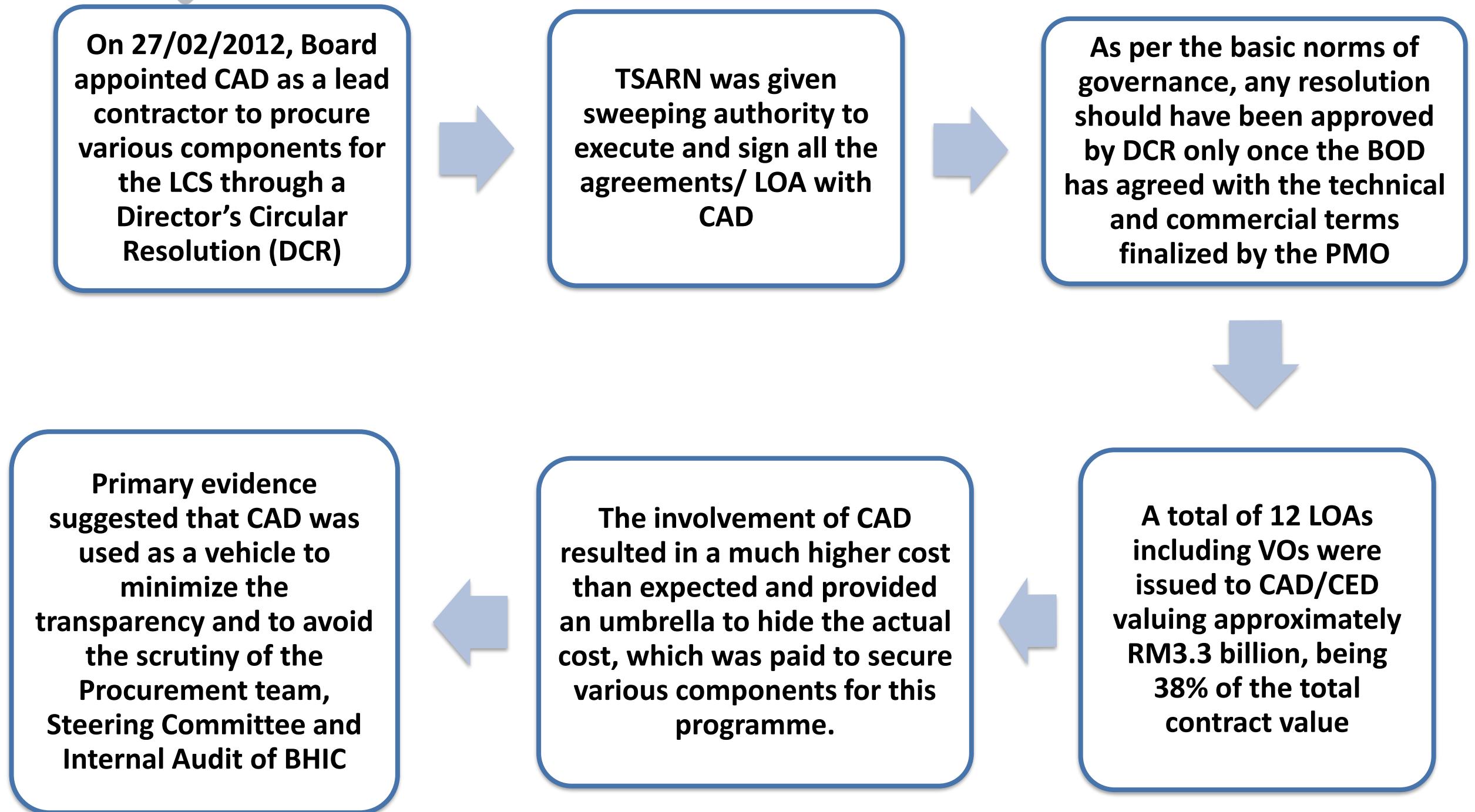


Cont.

- The banking arrangement of CAD might have allowed them to withdraw the sum and use it to increase the expenses and reduce their profits so that, BHIC could get lower dividend.
- Based on limited facts and evidences gathered, we suspect that the profit declared by CAD was much lower than what has been earned by them, hence it is essential to examine various elements of their cost and gross profit margin.
- Further, it is essential to analyze their entire banking transactions between 2011 to 2018 to confirm the possibilities of siphoning of funds and suppressing the profits to avoid sharing it with BHIC.



Involvement of CAD in LCS





Influence of CAD/CED resulted in possible damages

Overlapping LOA for BIT Centre at RM305 million

Double Claims for same services in the LOA for Combat Management system of RM898 million

Potential loss due to change of currency (EUR-MYR) resulted in additional liability of RM13.48 million

Payment milestones without deliverables and necessary supporting documents

Exceptional markup as a middleman resulting in loss of cash



Irregularities pertaining to the LOAs for CMS issued to CAD/CED

09/04/2012

- The LOA for Combat Management System (CMS), Equipment, Engineering (CSE) and Integration (CSEI) was awarded to CED at RM1.185 billion on the basis of a quotation from DCNS dated 23/12/2010 which was issued even before the signing of the LOA with GOM. The LOA was issued by AM sidelining the evaluation process by restricting the involvement of the Technical and Commercial Team.

02/10/2012

- Within six months, a supplemental LOA was issued by TSARN and AM in favor of CED for the development of a BIT Centre at RM305 million. The scope of this LOA appeared overlapping with the original LOA.
- No specific approval was obtained from the Board for the issuance of the said LOA.
- The cost of investment was not budgeted in the LCS Programme.

2012-13

- As per the terms, the ownership of the BIT Centre would be vested with CED despite its cost being fully born by BNS. This appeared unusual and against the interest of the company.
- 40% mobilization was released to CED without achieving any milestone or substantial progress.



Double Claims by CAD for Same Services for CMS

| Sr. No. | Milestone as per the LOA for CMS (RM1.18 billion) | Amount (RM) | Remarks |
|---------|---|--------------------|--|
| 1. | Service costs | 274,000,000 | It should have been covered under "Project Management" and appeared as duplicate claim |
| 2. | CSEI | 153,000,000 | It appeared as duplicate claim as it was already covered under CSI scope of work |
| 3. | RTS acquisition | 80,000,000 | It appeared as duplicate claim as it was already covered under SIF Setup scope of work |
| 4. | To manage and operate RTS | 30,000,000 | RTS is specifically for SIF equipment, therefore, it should have been covered under SIF Setup scope of work |
| | TOTAL | 537,000,000 | This figure was arrived after our discussion with Capt Azhar Jumaat, the Programme Director of LCS who was of the same opinion, however we need to consult an independent expert. |



Change in the Currency (MYR-EUR) of LOAs for TAS and MSR to CAD

- Based on the minutes of CAD meeting dated 10th October 2013, Gordon highlighted that CAD had to incur substantial loss due to forex fluctuation on LOAs of Towed Array Sonar and Main Surveillance Radar (MSR) for LCS Programme.
- The then Chairman TSARN immediately acknowledged the concerns expressed by Gordon Hargreave (CEO of RAD) and proposed for a change in currency from Ringgit Malaysia (RM) to Euro (EUR) for these LOAs. Instead, the Chairman would have suggested plenty of available measures to minimize the loss due to currency fluctuation rather than pushing the burden on BNS without informing and seeking approval of the BNS Board.
- TSARN could have taken care of the larger interest of BHIC group which he was representing at CAD.



Cont.

- During the Board meeting of BHIC, the Audit Committee of BNS also raised their concerns about the impact of Forex losses on the profitability of BNS due to the LCS Programme.
- As a result of his unilateral detrimental commitment, it was noted that the currency of the said 2 LOAs were changed from RM to EURO resulted in a net loss of RM13,487,820 to BNS on that day itself based on difference in currency rate.
- It gave an impression that TSARN was more inclined to safeguard the interest of CAD than BNS and its group's interest.
- This resulted in an additional liability on account of increased ringgit value of the said procurements. The following calculation reflected the loss incurred by BNS:



Cont.

| Date | Description | Note | LOA for MSR | LOA for TAS |
|--|--|-------|-------------|-------------------|
| 22/04/2013 | Original Value of LOA (RM) | A | 227,970,252 | 287,019,200 |
| 01/11/2013 | Value of Amended LOA for currency change (RM to EUR) | B | 54,278,631 | 68,337,905 |
| | Conversion Rate (EUR-MYR) | C=A/B | 4.20 | 4.20 |
| November 2013 | Average Rate of EUR-MYR during November 2013 | D | 4.31 | 4.31 |
| | Loss due to Conversion | E=C-D | 0.11/MYR | 0.11/MYR |
| | TOTAL LOSS (RM) | B*E | 5,970,650 | 7,517,170 |
| TOTAL LOSS TO BNS DUE TO CURRENCY CONVERSION (RM) | | | | 13,487,820 |



Potential Loss due to the Involvement of CAD/CED

| Sr. No. | Description | Amount Involved (RM) |
|---------|--|----------------------|
| 1. | Overlapping LOA issued in favor of CED in 2012 for BIT Centre despite being part of the original LOA for RM898 million (Note: Expert Opinion needed) | 305,000,000 |
| 2. | Double Claims for same services with different nomenclature related to Service Costs and Combat System Integration also confirmed by Capt. Azhar Jumaat (Note: Expert Opinion required) | 537,000,000 |
| 3. | Potential loss sustained due to change in currency from Ringgit to Euro for LOAs issued in favor of CAD for Main Surveillance Radar and Towed Array Sonar during 2013 | 13,487,820 |
| | TOTAL (RM) | 855,487,820 |

Note: The figure of RM855 million is the total value committed by BNS i.e. it does not represent an actual loss incurred by them. Based on percentage of progress payments till FY2014, BNS paid approximately 50% of the total amount involved i.e RM400 million approximately.

We still need to consult an independent expert to accurately identify the areas of losses and the amount involved.



Role of DCNS/Naval Group

Role of DCNS/Naval Group

Appointed as a Subcontractor for SETIS CMS at an initial value of RM287 million which was revised to RM397 million due to additional scope

DCNS claimed that CMS was a proven and off the shelf system, however evidence indicated that it was an under-developed system and posed a significant risk to progress of the LCS Programme

Appointed as a Subcontractor for the supply of GOWIND Design at an initial value of RM178 million which increased by 5 times to RM1.36 billion (till FY2018) due to issuance of numerous Variation orders

Due to lack of expertise of AM in designing a warship, the Design contract was not properly negotiated with DCNS, and the scoping was weak

Selection of DCNS resulted in writing off RM455 million from the LCS Programme for NGPV design

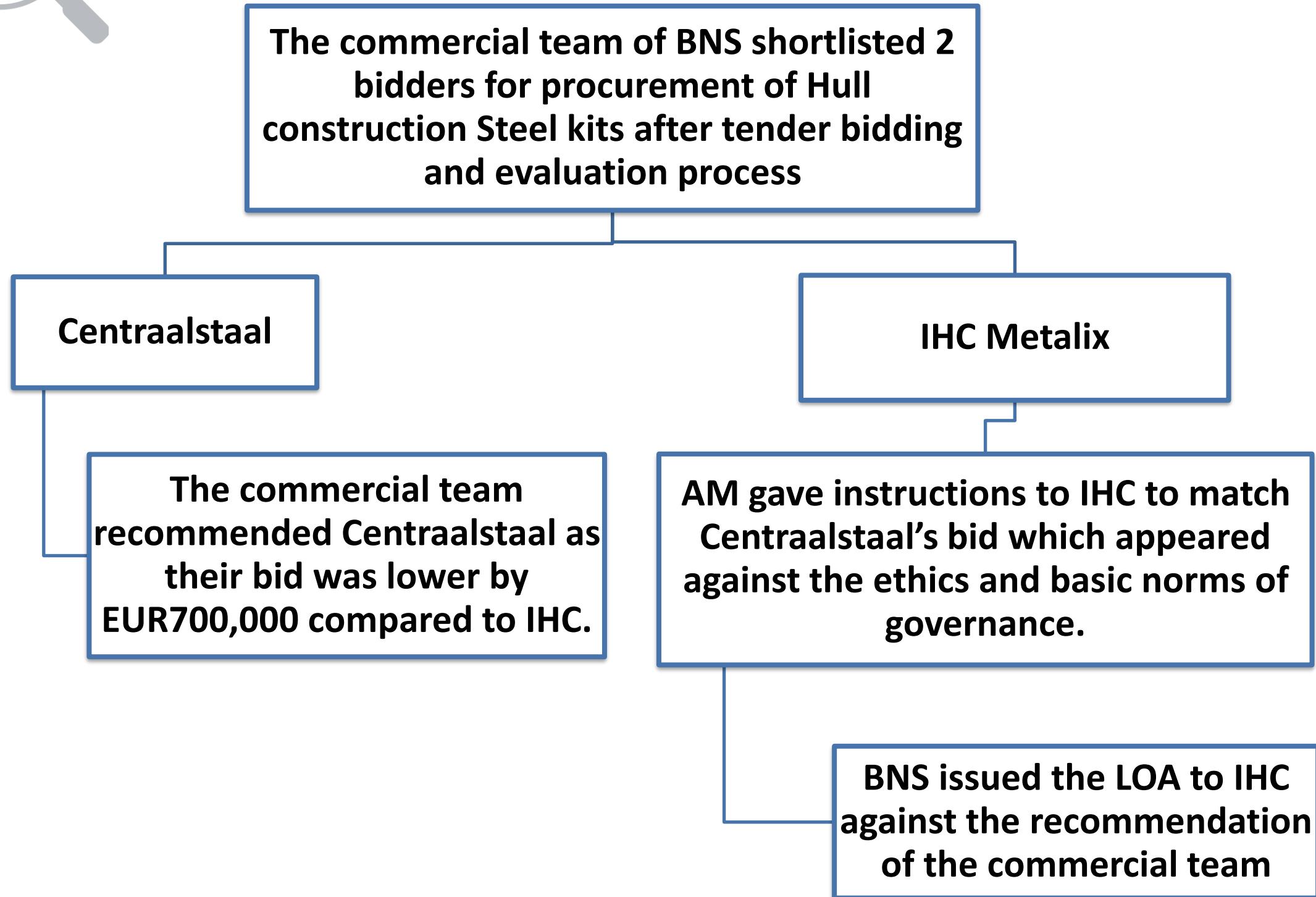


Anomalies in DCNS Design Contract

- Khalid Mohd (Ex-member of Commercial team) expressed his concerns on lack of involvement of commercial team during evaluating the offer by DCNS.
- It appeared that the technical and commercial team were not provided with the necessary exposure to evaluate the wisdom of cost associated with each component.
- The history of DCNS and its unethical practices to bribe Malaysians during the deal is well documented which were filed in the Court by the investigative agencies at France.
- A global settlement with DCNS was signed in 2015 where the ceiling price of the services offered by DCNS would be fixed at EUR375 million. However, the settlement was lop-sided as DCNS gained a lot of advantage due to persistent problems between BNS and RMN.



Issuance of LOA to IHC Metalix





Cont.

- The LOA was issued in favor of IHC by AM and his superior, TSARN ignoring the recommendation of technical and commercial team.
- Khalid Mohd expressed anguish over an unethical practice to ask for reduction in the price by IHC to match the final price agreed with Centraalstaal BV (Another Bidder for Steel kits) after a series of negotiations at more advantageous terms.
- Despite Centralstaal's letter to Tan Sri Lodin addressing the suspected irregularities in the tender process, no corrective measures were taken.
- Issuing a VO for a mill certificate which comes along-with material as per industrial standard for a value of EUR935,000 reflected irregularities and malpractices while dealing with the precious resources of the company.



Cont.

- Our direct communications with Centraalstaal and review of VOs have confirmed the following facts:
 - ❖ The condition for the submission of a mill certificate along with Steelkits was part and partial of the original RFQ and this requirement was not specifically removed during negotiation. Hence, subsequent issuance of a VO in favour of IHC on the pretext that such terms were removed as stated in the said VO was false and misleading.
 - ❖ The RFQ dated 4th May 2012 and 7th April 2014 provided a scope of supply according to the rules of Bureau Veritas.
 - ❖ As per the industrial practice, it is common to supply Bill of Material and Material Tracing detail. It was also confirmed that issuance of VOs after production for the supply to provide material tracing detail is practically not possible.



Conclusion (Mandate till FY2014)

- Review and analysis of related documents and history of transactions have indicated irregularities, deception, and mismanagement involving senior officers and a few subordinates who blindly followed the instructions rather than raising red flags. Breach of fiduciary duty and responsibilities appeared apparent during our review.
- Most of the LOAs were issued before FY2014, but its execution cascaded till FY2018. Unless these transactions and related activities are examined in detail, possibilities are high that some of the convincing facts would not be established and may pose a serious threat in establishing the crime against the suspects.
- In order to draw to an independent valid conclusion, any restrictions on financial transactions of CAD, its banking records and procurement related activities have to be removed.



**Thank
You**