

Serba Dinamik share price woes continue

The decision to take legal action against KPMG has muddied investor perception

by SHAHEERA AZNAM SHAH

SERBA Dinamik Holdings Bhd needs to make good progress on its accounting issues as the resignation of its external auditor, KPMG PLT, yesterday has raised the risk profile of the company in the eyes of investors.

Serba Dinamik's decision to take legal action against KPMG on Monday has muddied investor perception leading to sustained selling pressure on the company's stock.

Malacca Securities Sdn Bhd senior analyst Kenneth Leong said KPMG's resignation, expected given the lawsuit, will prolong the negative impact to Serba Dinamik's shares.

"It is a negative development that underlines that KPMG is not in tune with Serba Dinamik's response regarding the audit matters. With the lawsuit taking place, the negative impact may prolong and it will take some time for positive development to arise," he told *The Malaysian Reserve* (TMR).

Serba Dinamik share price fell 10.08% or 6 sen to 53.5 sen at close yesterday.

Exchange filing by the company yesterday revealed that the Employee Provident Fund sold some 30 million shares on June 18 and June 21, to take its holding



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down to 317.78 million shares or 8.57% stake in the oil and gas support service provider.

Minority Shareholders Watch Group Devanesan Evanson said an appointment of an independent reviewer would help shed light on the accounting issues flagged by KPMG.

"There must be a satisfactory resolution of the matters raised by KPMG. This is a pressing and current need.

"Minority shareholders can now only make investment decisions based on the developments to date.

"The resolution of the matters raised by the auditors will enable minority shareholders to see things

in a better perspective and that will enable them to make better investment decisions," he told TMR.

Meanwhile, Institute of Corporate Directors Malaysia (ICDM) president and CEO Michele Kythe Lim said it is crucial for external auditors and the audit committee to remain independent to ensure effective disclosure of relevant information and protecting the rights of shareholders.

"ICDM's stance is that external auditors play a critical role, alongside boards, audit committees and senior management, in upholding good corporate governance and ensuring transparency in the company's reporting.

"Should red flags be raised by external auditors to the audit committee, it is the duty of the audit committee to respond to any issues in a professional manner.

"The audit committee and external auditors should also have clear and direct communications, to ensure issues can be addressed promptly and in accordance with corporate governance guidelines," she said.

She added that, ultimately, the role of the board is key to ensuring robust governance within companies.

"The board is intended to provide balance, be it in the form of the balance of power, perspective,

guidance and stewardship or outlook, to the senior management team.

"The composition of the board is crucial, be it the independence of directors, competency, experience, expertise, background, personality, in setting the right tone from the top," she said.

KPMG had been Serba Dinamik's auditor for seven years but the relationship soured after its auditing process flagged issues with RM2.3 billion worth of transactions and trade receivables of RM652 million for 11 customers for financial year 2020.

Serba Dinamik stated the accounting woes could have been resolved through proper engagement with its management under international and local protocols.

KPMG stated its decision to withdraw comes as the suit filed by Serba Dinamik against it compromised its ability to independently continue the audit engagement and discharge its professional duties as auditor of the company.

Serba Dinamik's board of directors are expected to meet today to finalise the decision on the independent review.

Previously, Serba Dinamik said its board has agreed, in principle, to appoint Ernst & Young as its independent reviewer to assess the accuracy of the issues highlighted by KPMG, however, the appointment has yet to materialise as of the time of writing.