



PERAK CORPORATION BERHAD

SPECIAL INTERNAL AUDIT REPORT

(NO. PCB-SA/ATP/001/02/19)

ANIMATION THEME PARK SDN. BHD.

**SPECIAL AUDIT ON THE CONSTRUCTION AND DEVELOPMENT OF MOVIE
ANIMATION PARK STUDIOS (MAPS), AND ENHANCEMENT TO THE ATTRACTIONS
IN THE PARK**

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1. INTRODUCTION

The special audit on the construction and development of Movie Animation Park Studios (MAPS), and enhancement to the attractions in the park was initiated through instruction from the Audit Committee of Perak Corporation Berhad (PCB) via letter dated 21 September 2018, given to Internal Auditors of PCB.

In the letter, the Chairman of Audit Committee has stressed that the audit should cover the following aspects:

- i. Construction
- ii. Development
- iii. Enhancement to the attractions in the park

The overall objectives of the audit is to establish whether there have been any acts of misconduct, unauthorised and fraudulent acts that may have occurred during the course of the construction and development of MAPS.

2. AUDIT OBJECTIVES, APPROACH AND LIMITATION OF THE REVIEW

2.1 OBJECTIVES

The objectives of the audit were as follows:

- i. To establish whether there have been any acts of misconduct, unauthorized and fraudulent acts that may have occurred during the course of the construction, development and enhancement of MAPS.
- ii. To ensure that the construction, development and enhancement of MAPS were in accordance with the relevant rules, requirements, guidelines, policies and procedures.

- iii. To establish whether, in any circumstances, unnecessary cost/additional cost was incurred or/and paid during the course of the construction, development and refinement works of MAPS, and to further probe on the causes that lead to such event to occur.
- iv. To establish whether payments made to contractor and subcontractor were supported by sufficient evidence and adequately verified.
- v. To establish whether there was a mechanism in placed to track, monitor and control the cost of the project, against the project budget.
- vi. To establish whether any Variation Orders issued were properly justified, approved and accepted.

2.2 APPROACH

Approaches of the review were as follows:

- i. Review of process
- ii. Review of documents
- iii. Interview / discussion with relevant personnel
- iv. Physical sighting and observation

2.3 LIMITATION OF THE REVIEW

During the course of review, there were a number of limitations faced by Internal Audit which were listed as follows:

- i. The resignation of key personnel from Animation Theme Park Sdn. Bhd. (ATP) i.e. Project Director, Project Coordinator, Senior Manager of Technical Services, who involved directly in dealing with contractor and sub-contractors, which has limit Internal Audit's access to first-hand information and documentations on the construction, development and refinement works of MAPS.
- ii. Complete project documentation such as work breakdown structures, as-built drawings, work-acceptance reports, minutes of site meetings and project schedule. Inability to sight such documents has limit Internal Audit's ability to review the sub-work of the main contract items, process of recognizing and accepting work progress between contractor and sub-contractors, agenda being discussed at site, as well as the proposed project schedule and the monitoring of project schedule. The absence of work-acceptance reports between contractor and sub-contractor limits Internal Audit's review on sub-contractors' work.
- iii. Complete set of contract/agreement between contractor and sub-contractors. Absence of such contract/agreement has limit Internal Audit from having the adequate information pertaining to value, nature,

type, as well as period of works agreed between contractor and sub-contractors. This has further limit Internal Audit to establish the authenticity and validity of claims buy sub-contractor especially at the point where PCB has started paying directly to sub-contractors.

- iv. Proof of payments from contractor to sub-contractors. This has caused inability to Internal Audit to establish whether certain payments from contractor to sub-contractor has really taken place or not.
- v. Contractor's accounts, especially its bank accounts' transactions that relate to payment to sub-contractor or other individuals. Again, this has limit Internal Audit's review on the payment from contractor to sub-contractors. Besides, the absence of these information has caused inability to Internal Audit to ascertain whether there was a payment being made by contractor to individuals who has direct or indirect interest to the construction, development and refinement works of MAPS.

3. BACKGROUND INFORMATION

3.1 TURNKEY CONTRACT

i. Details of the contract

On 31 March 2014, a contract has been entered between Animation Theme Park Sdn. Bhd. (ATP) and The Sanderson Design Group (Malaysia) Sdn. Bhd. (SDGM) for the design, project management, procurement, fabrication, installation, construction, testing and commissioning, and establishment of operations for the proposed design and development of animation theme park at Bandar Meru Raya, Ipoh, Perak. Through the contract, SDGM has been appointed as the turnkey contractor whose main responsibility was to be the lead contractor in the development and construction of MAPS. The details of the contract is as follows:

Item	Details
Employer	Animation Theme Park Sdn. Bhd.
Contractor	The Sanderson Design Group (Malaysia) Sdn. Bhd.
Commencement date of the contract	31-Mar-2014
Value of the contract	RM306,738,608.00
Duration of the contract	24 months from the commencement date of the contract
Delay damages	RM50,000 per day, and the total delay damages shall not exceed 10% of the contract price excluding provisional sum
Performance Security	Equivalent to 5% of the contract price, excluding provisional sum. The performance security should be furnished within 28 days after the signing of the contract
Right of access to the site	14 days from the commencement date of the contract
Commencement of works	Within 28 days from the date for site possession
Time for completion	24 months from the Commencement date of works

Item	Details
Defects notification period	18 months from the opening of the park to public or from the issuance date of Certificate of Taking Over, whichever earlier

ii. Contract sum

Details of the contract sum are as follows:

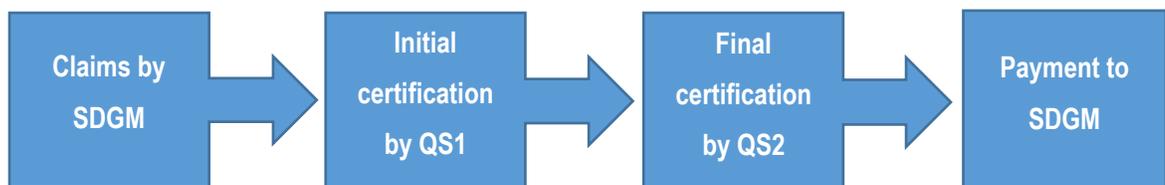
Item	Description	Value (RM)
1.	Design and Consultation Fee	27,490,000
2.	Project Management Fee	6,242,200
3.	Preliminaries	23,719,800
4.	General Contractor Works	102,250,600
5.	Interior Fit-Out Works	22,004,300
6.	Attractions – Rides and Shows	28,295,820
7.	Themed Finishes	37,124,000
8.	Establishment of Operations	15,692,813
9.	Provisional Sums	43,919,075
Total contract sum		306,738,608

iii. Certification of works process

Quantity surveyor (QS1) was appointed by ATP to carry out the certification of work completion as per contractor's claims. The financier of the project has also appointed their own quantity surveyor (QS2) in order to protect their interest.

The certification of works for the turnkey contract can be further divided into two (2) scenarios. In the first scenario, payment to contractor would only be made after certification of work completion by QS2. This was due to the fact that for the purpose of payment during this stage, the loan facilities would be utilized and payments were made directly from the financier. As for the second scenario, upon full utilization of loan facilities, payment would be made to the contractor upon certification of work completion by QS1. The details are depicted as following diagram:

- i. For claims no. 1 to 32, payments were made based on certification by QS2 (utilization of loan facilities)



- ii. For claims no. 32a to 37, payments were made based on certification by QS1 as the loan facilities has been fully utilized.



As at the date of the audit, for the turnkey contract, a total of thirty-seven (37) claims were certified and paid accordingly. The details of the certifications and payments were as follows:

Claim no.	Claim by SDGM (RM)	Certification by QS1 (RM)	Certification by QS2 (RM)	Payment		
				Certification of works (RM)	GST (RM)	Total Payment made (RM)
1.	45,919,548	41,039,050	N/A	41,039,050	N/A	41,039,050
2.	9,287,062	9,227,094	N/A	9,227,094	N/A	9,227,094
3.	3,334,751	2,216,878	N/A	2,216,878	N/A	2,216,878
4.	4,138,690	3,418,302	N/A	3,418,302	N/A	3,418,302
5.	2,684,312	1,567,577	56,690,893	789,570	N/A	789,570
6.	3,742,938	3,303,206	3,721,547	3,721,547	N/A	3,721,547
7.	3,348,804	2,964,089	2,912,576	2,912,576	N/A	2,912,576
8.	4,624,436	4,176,893	4,118,987	4,118,987	N/A	4,118,987
9.	4,447,488	4,076,136	4,039,336	4,039,336	N/A	4,039,336
10.	11,680,945	8,956,133	8,236,961	8,236,961	N/A	8,236,961
11.	11,366,643	6,856,935	7,754,267	7,754,267	N/A	7,754,267
12.	9,141,168	6,583,589	6,657,325	6,657,325	N/A	6,657,325
13.	8,548,051	7,847,370	7,679,855	7,679,855	460,791	8,140,646
14.	9,784,441	7,449,866	7,521,705	7,521,705	451,302	7,973,007
15.	12,908,314	11,361,710	11,337,499	11,337,499	680,250	12,017,749
16.	12,063,231	10,160,643	10,221,403	10,221,403	613,284	10,834,687
17.	10,852,202	9,038,904	8,958,645	8,958,645	537,519	9,496,164
18.	23,964,527	9,309,253	9,463,969	9,463,969	567,838	10,031,807
19.	7,541,953	7,541,953	7,517,234	7,517,234	451,034	7,968,268
20.	31,533,608	14,987,206	14,888,919	14,888,919	893,335	15,782,254
21.	25,362,068	15,561,771	15,639,763	15,639,763	938,386	16,578,149
22.	17,171,297	6,700,148	6,685,647	6,685,647	401,139	7,086,786
23.	17,342,624	14,257,846	14,236,848	14,236,848	854,211	15,091,059
24.	7,514,671	4,267,622	4,253,430	4,253,430	255,206	4,508,636
25.	8,294,036	5,055,473	4,944,296	4,944,296	296,658	5,240,954

Claim no.	Claim by SDGM (RM)	Certification by QS1 (RM)	Certification by QS2 (RM)	Payment		
				Certification of works (RM)	GST (RM)	Total Payment made (RM)
26.	5,310,306	2,555,880	2,634,930	2,634,930	158,096	2,793,026
27.	7,219,621	2,975,339	2,972,869	2,972,869	178,372	3,151,241
28.	8,927,680	4,069,160	4,066,510	4,066,510	243,991	4,310,500
29.	11,326,775	5,497,710	5,496,272	5,496,272	329,776	5,826,049
30.	7,124,142	5,082,407	5,078,544	5,078,544	304,713	5,383,257
31.	7,688,098	5,320,862	5,316,999	5,316,999	319,020	5,636,019
32.	16,085,109	13,151,010	13,146,955	15,662,993	939,779	16,602,772
32a.	383,836	383,836	N/A	383,836	23,030	406,867
33.	6,945,554	4,478,714	N/A	1,962,677	117,761	2,080,437
34.	7,401,067	4,307,765	N/A	4,307,765	258,466	4,566,231
35.	8,447,611	5,870,946	N/A	5,870,946	352,257	6,223,203
36.	12,539,205	8,617,978	N/A	8,617,978	517,079	9,135,057
37.	8,827,326	5,940,249	N/A	5,940,249	356,415	6,296,664
Total				285,793,670	11,499,707	297,293,377

iv. Final contract value, certification of work completion and payment

*Final Contract Value (RM)	Value of Works Certified (RM)	GST (RM)	Payment (RM)
315,539,743	285,793,670	11,499,706.77	297,293,377.23

*Note: Final contract value for the turnkey contract is derived after taking into consideration the followings:

Original contract value	:	306,738,608
Bill 9 Additions/ (Omissions)	:	2,536,519
Variation orders	:	9,764,616
Omission	:	(3,500,000)
Final Contract Value	:	315,539,743

3.2 Supplementary contract no. 1

i. Details of the contract

The first supplementary agreement was entered between ATP and SDGM on 9th August 2016. The first supplementary contract was on the enhancement works on the rides and attraction of MAPS, with a number of new additional rides and attractions were included as part of the enhancement works, as well as to construct one (1) warehouse. The said rides and attractions, and warehouse were as follows:

No.	Details
1.	Chair Swing Ride
2.	Kamikaze Thrill Ride
3.	Future Attraction (Item not used)
4.	Photo op/standees (Blast Off)
5.	Wormhole Attraction
6.	Smurf Partyland
7.	Cartoon Factory
8.	Spinning Coaster
9.	Photo op/standees (Fantasy Forest)
10.	Selfie Boardwalk (Fantasy Forest)
12.	International Cultural Celeb'
13.	Lighting Effects (BO1/Plot E)
14.	Retail Warehouse (BO2)
15.	Development of Adventurous IP

ii. Contract sum

Details of the contract sum are as follows:

Item	Details	Value (RM)
1.	Chair Swing Ride	4,000,000
2.	Kamikaze Thrill Ride	3,000,000
3.	Future Attraction (Item not used)	N/A
4.	Photo op/standees (Blast Off)	150,000
5.	Wormhole Attraction	3,000,000
6.	Smurf Partyland	1,600,000
7.	Cartoon Factory	4,500,000

Item	Details	Value (RM)
8.	Spinning Coaster	800,000
9.	Photo op/standees (Fantasy Forest)	150,000
10.	Selfie Boardwalk (Fantasy Forest)	300,000
12.	International Cultural Celeb'	700,000
13.	Lighting Effects (BO1/Plot E)	800,000
14.	Retail Warehouse (BO2)	1,200,000
15.	Development of Adventurous IP	1,800,000
Total		22,000,000

iii. Final contract value, certification of work completion and payment

Final Contract Value (RM)	Value of Works Certified (RM)	GST (RM)	Payment (RM)
22,000,000.00	18,496,302.65	1,109,778.16	19,606,080.81

3.3 Supplementary contract no. 2

i. Details of the contract

The second supplementary agreement was entered between ATP and SDGM on 21st December 2016. The scope of the contract was to procure and deliver the lake coaster to MAPS.

ii. Contract sum

Details of the contract sum are as follows:

No.	Details	Contract Value (RM)
1.	Concept & Creative	326,800.00
2.	Site Inspection Project Team and Ride Manufacturer	276,300.00
3.	Architectural Design/ Engineering/ Authority Submission	860,000.00
4.	Project Management Cost	650,000.00
5.	Construction Management Cost	764,300.00
6.	Preliminary Costs	2,100,000.00

No.	Details	Contract Value (RM)
7.	Unpack, inspect, re-stuff 68 no's 40ft Open Top Containers in Brazil	560,000.00
8.	Sea Freight 68 no's 40ft Open Top Containers (Provisional)	1,428,000.00
9.	Custom Clearance from Malaysia	38,000.00
10.	Road Freight KL to Ipoh	200,000.00
11.	Insurances	126,000.00
12.	Transportation 68 no's 40ft Open Top Containers to Brazil Port (Provisional)	217,000.00
13.	Custom Clearance from Brazil	75,000.00
14.	Procurement of ride	16,813,450.00
Total		24,434,850.00

iii. Final contract value, certification of work completion and payment

Final Contract Value (RM)	Value of Works Certified (RM)	GST (RM)	Payment (RM)
24,434,850.00	20,104,550.00	197,469.00	20,302,019.00

3.4 Actual project cost and funding

Project cost as at 31 December 2018

No.	Description	As at 31-Dec-18 (RM)	Original (RM)
1.	Land	48,269,323	46,500,000
2.	Turnkey contract <ul style="list-style-type: none"> • Main Contract 285,793,670 • Supplementary Agreement I 18,496,303 • Supplementary Agreement II 20,104,550 • Advance Payment - PO-1701-0027 34,312 • Advances to SDGM - Direct Payment to Sub-contractors 81,832,699 • Advances to SDGM - Billable 6,750,724 	413,012,259	306,738,608
3.	Finance cost	29,885,161	17,500,000
4.	Working Capital <ul style="list-style-type: none"> • Property, Plant & Equipment 28,918,479 		

No.	Description	As at 31-Dec-18 (RM)	Original (RM)
	• IP Licence Fee	18,138,030	
	• Working Capital	69,212,308	19,160,000
	Total	607,435,560	389,898,608

Project fund as at 31 December 2018

No.	Description	As at 31-Dec-18 (RM)	Original (RM)
1.	Ordinary Share Capital	15,600,000	15,000,000
2.	Redeemable Convertible Preference Shares	98,800,000	94,898,000
3.	Syndicated Term Loan	280,000,000	280,000,000
4.	Shareholders' Advances		
	• Perak Corporation Berhad	6,000,000	
	• RSG Maps Sdn Bhd	6,250,000	
	• PCB Development Sdn Bhd	198,513,628	210,763,628
5.	Grant from Unit Kerjasama Awam Swasta (UKAS)	2,271,932	-
	Total	607,435,560	389,898,000

4. FINDINGS AND OBSERVATIONS

4.1 STRATEGIC AND CONTRACT MANAGEMENT

4.1.1 **The documents to support that proper feasibility study has been carried out prior to the decision by PCB Development Sdn. Bhd. (PCBD) to become majority shareholder of Animation Theme Park Sdn. Bhd. (ATP) could not be sighted during the audit.**

Prior to taking over a company, a feasibility study should be carried out in order to determine whether it will be a worth investment or not. The aspect such as the net worth of the company, the debts of the company, the forecasted and projection of revenue that can be derived by the company, as well as issue of going concern should be taking into consideration prior to taking over a company. This information will be obtained through the viability study. Although the information obtained may not be hundred percent accurate, but it will vital input to the stakeholders whether the plan to take over should be proceed or not.

On 8 April 2016, PCBD has become majority shareholders of ATP at by controlling 51% of the shares.

However, based on review, it was noted that the documents to support that proper feasibility study has been carried out prior to the decision by PCB Development Sdn. Bhd. (PCBD) to become majority shareholder of Animation Theme Park Sdn. Bhd. (ATP) could not be sighted during the audit.

4.1.2 **The obligation to open up the park as per license agreement between ATP and DreamWorks Animation L.L.C (DreamWorks) was not consistence with time of completion as stated in the turnkey contract between ATP and SDGM.**

On 1st January 2013, ATP and DreamWorks has entered into a licence agreement for the rights to use the trademarks and content (shall be known as the Properties) of The Croods, Megamind, Mr. Peabody & Sherman, and Casper The Friendly Ghost for the followings purpose:

No.	Rights granted
1.	Creating two (2) rides within the precinct with theming and signage derived from the Properties
2.	Creating and theming one (1) merchandize store utilizing the Properties which will be considered an Authorized Venue

No.	Rights granted
3.	Creating and theming one (1) food and beverage venue utilizing the Properties which will be considered an Authorized Venue
4.	Creating and theming one (1) walk-through entertainment experience derived from the Properties
5.	Creating and theming one (1) live performance venue utilizing the Properties
6.	Creating one (1) future attraction expansion space utilizing the Properties, which will be subject to prior written approval of DreamWorks
7.	Seasonal events
8.	Character parades
9.	Street shows
10.	Atmosphere entertainment
11.	Area naming, theming, environments and signage
12.	The rights to use the Properties for the development, production and manufacturing of merchandise, and the sale and distribution of merchandise at all stores, restaurants, carts and kiosks within the DreamWorks designated area or the park (Authorized Venues)
13.	The rights to use the Properties throughout the world for the advertisement, marketing, promotion and publicity
14.	The right, at the park, to present strolling costumed character

According to item 12 of clause 8.A of the license agreement for the *Termination & Licensor Termination Events*, it stated that:

“In addition to any other rights Licensor (DreamWorks) may have to terminate this Agreement as provided herein, the occurrence of any or more of the following events (other than by reason of an event of force majeure) shall constitute a Licence Termination Event hereunder:

(12) Licensee (ATP) shall have failed to open the Park to the general public by December 31, 2015.”

However, contrary to the above clause, clause 8.2 (Time for completion) of the Particular Conditions of the turnkey contract signed between ATP and SDGM (signed on 31 March 2014) stated that:

“Date for completion of the works: Twenty-four months from the commencement date.”

Based on review, it was noted that as stated in the minutes of meeting of ATP’s Board of Directors’ Meeting as at 27 February 2015, it was agreed that the project should be completed by 31 March 2016. This has clearly contradicted with the obligation to open up the park as per the licence agreement between ATP and DreamWorks and there was a differences of three (3) months between those two (2) dates. The details are tabulated in the following table:

No.	Contract	Description	Date
1.	License agreement between ATP and DreamWorks	Commencement date of the contract	1-Jan-13
		Date to open up the park	31-Dec-15
2.	Turnkey contract between ATP and SDGM	Commencement date of the contract	31-Mar-14
		Date to open up the park	31-Mar-16

Since the license agreement between ATP and Dreamworks has commenced prior to the signing of the turnkey contract between ATP and SDGM, this matter should have been taken into consideration and the date to open up the park as agreed in the license agreement between ATP and DreamWorks should be reflected in the turnkey contract between ATP and SDGM.

Item 12 of clause 8.A of the license agreement for the *Termination & Licensor Termination Events* further states the following:

“Notwithstanding the foregoing, Licensee (ATP) may request in writing by no later than December 1, 2015 a three (3) month extension from Licensor (DreamWorks) to open up the park (which would expire on March 31, 2016). Licensor may approve or disapprove such written request from Licensee in Licensor’s sole discretion.”

On further review, it was noted that on 30 November 2015, ATP, through its Chief Executive Officer (CEO), has requested to DreamWorks for extension of time (to open up the park) until 30 June 2016. The request has been granted by DreamWorks through the issuance of amendment no. 1 to the license agreement between ATP and DreamWorks. According to the amendment no. 1, the obligation to open up the park as per item 12 of clause 8.A has been amended from 31 December 2015 to 30 June 2016. Due to that, the first extension fee amounted to USD 50,000 has to be paid by ATP. The payment was made on 8 April 2016 (through PV-1603-0138 dated 23 March 2016).

4.1.3 By agreeing to the request from RSG Maps Sdn. Bhd. (RSG) through point B and C of the recitals in shareholder’s advance agreement between ATP and PCBD, has caused PCBD to be solely responsible for any additional funding required by ATP from the point of the agreement became affective.

On 8 August 2016, ATP and PCBD has entered into an agreement called shareholder’s advance agreement. Point B and C of the Recitals of the agreement stated that:

- (B) *“At the request of RSG Maps Sdn. Bhd., another shareholder of ATP, holding 7,649,000 ordinary shares and 48,400,000 preference shares in ATP, PCBD has agreed to be solely responsible to ensure that any additional funding of ATP will be met by ATP either by way of shareholders’ loan from PCBD or borrowings by the Company without support from other shareholders.”*
- (C) *“At the request of ATP, PCBD agrees to make available to ATP shareholder’s advances of up to Ringgit Malaysia One Hundred Forty Million (RM140,000,000.00) only (“Shareholder’s Advance”), subject to the terms and condition herein contained.”*

By agreeing to such request from RSG Maps Sdn. Bhd., it has caused PCBD to be the sole responsible party to provide fund to the construction and development of MAPS. Even though PCBD has become the majority shareholder of ATP, the move has made PCBD’s commitment and exposure becoming more substantial and material. The following were the approved shareholders’ advance committed by PCBD to ATP subsequent to PCBD became the majority shareholder of ATP:

No.	Shareholder’s Advance Agreement	Amount (RM)
1.	8-Aug-16	140,000,000.00
2.	3-Mar-17	50,000,000.00
3.	30-Jan-18	60,000,000.00

4.2 TURNKEY CONTRACT

4.2.1 The proposed works under the turnkey contract has not been properly completed by SDGM.

As stated in paragraph five (5) of clause 5.6 of the general conditions of Federation Internationale Des Ingenieurs-Conseils (FIDIC):

“Prior to the issue of any Taking-Over Certificate, the Contactor (SDGM) shall supply to the Employer (ATP) the specified numbers and types of copies of the relevant as-built drawings, in accordance with the Employer’s requirements. The works shall not be considered to be completed for the purpose of taking-over under sub-clause 10.1 (Taking-over of the works and sections) until the Employer has received these documents.”

However, as of the date of the audit, the Taking-Over Certificate is yet to be issued by ATP, which signalled the failure of SDGM to complete and properly hand over the theme park to ATP. As per the work verification by QS1 and QS2, the value of works on the construction and development of MAPS that has been certified were as follow, which clearly showed that the works were incomplete:

Contract	*Final Contract Value (RM)	Certification Documents	Value of Works Certified (RM)
Turnkey	315,539,743	Interim Valuation no. 37	285,793,670

**Note: Final contract value for the turnkey contract is derived after taking into consideration the followings:*

<i>Original contract value</i>	:	306,738,608
<i>Bill 9 Additions/ (Omissions)</i>	:	2,536,519
<i>Variation orders</i>	:	9,764,616
<i>Omission</i>	:	(3,500,000)
<i>Final Contract Value</i>	:	315,539,743

On top of that, SDGM has also failed to deliver the complete project documentation which include document such as as-built drawings for structures, mechanical and electrical drawings, drain and drainage drawings, and landscape drawings.

4.2.2 There were instances whereby supporting documents for the payments made to SDGM could not be sighted during the audit. However, these payment were supported by verification of work completion by appointed quantity surveyor.

Based on review, it was noted that there were instances whereby supporting documents for the payments made to SDGM could not be sighted during the audit. However, these payments were supported by verification of work completion by appointed quantity surveyor. The details were as follows:

No.	Details	Supporting document	Physical sighting	Contract amount (RM)	QS1's verification (RM)	Payment (RM)
1.	Preliminaries – Site management cost. • Item no. 3.0 (19) of the turnkey contract.	✘	Could not be sighted	7,964,400.00	7,900,684.80	7,900,684.80
2.	Preliminaries – Furniture, computers, printers, plotters, air con, general set up and accessories • Item no. 3.0 (29) of the turnkey contract.	✘	Could not be sighted	379,000.00	378,760.30	378,760.3
3.	Preliminaries – Site vehicle, transportation fuel and travelling cost. • Item no. 3.0 (30) of the turnkey contract.	✘	Could not be sighted	628,800.00	625,656.00	625,656.00
4.	Preliminaries – Site supervisory staff accommodation. • Item no. 3.0 (31) of the turnkey contract.	✘	Could not be sighted	288,200.00	257,362.60	257,362.60
5.	Animal Kid Show • Item no. 6.01 of the turnkey contract. • Part of Cartoon Factory attraction.	✘	Could not be sighted due to Cartoon Factory has been turned into Haunted House	20,508.00	20,508.00	20,508.00
6.	Lake edge treatment. • Item no. 7.3 of the turnkey contract.	✘	Could not be sighted	761,000.00	722,950.00	722,950.00
7.	The Adventurers Cartoon Series • Item no. 8.12(n) of the turnkey contract	✘	Could not be sighted	1,836,932.00	1,148,082.50	1,148,082.50

4.2.3 There was a possibility that the consultancy services rendered by QS1 to ATP were similar with the one provided by QS1 to SDGM.

On 31 October 2013, ATP has appointed QS1 as independent quantity surveyor for the service of reviewing contract, contract sum, as well as evaluating progress claims submitted by contractor. The scope of service as well as the value for the appointment were as follows:

No.	Scope of service	Amount (RM)
1.	Comment and review on the contract price breakdown based on contract drawings.	100,000.00
2.	Assist in reviewing EPC contract based on FIDIC Form of Contract	80,000.00
3.	Progress claim evaluation (based on 30 months service period) <ul style="list-style-type: none">• Original contract period – 24 months• Six (6) months service during Defect Liability Period	750,000.00
4.	Final accounts in liaising with Sanderson on their proposed final account	50,000.00
Total		980,000.00

However, on further review, it was noted that, during the course of construction and development of MAPS, QS1 has also rendered consultancy services to SDGM, which was possibly similar with the scope of consultancy services rendered by QS1 to ATP. The similarity of the work scope was shown in the following extract of invoice issued to QS1 to SDGM:

No.	Work scope
1.	Preparation of preliminary study
2.	Preparation of tender documents
3.	Preparation of tender reports and contract documents
4.	Valuation of works in progress for interim valuations or certificates including variations
5.	Preparation of final account

4.2.4 The architect, who provided certification of work completion on SDGM's progress claim, was at the same time held the position of Design Director of SDGM.

Based on review, it was noted the architect who provided certification of work completion on SDGM's progress claim, was at the same time held the position of Design Director of SDGM. This was supported by the invoice issued to SDGM by its subcontractor for the attention of the architect, which was addressed in the invoice as

the General Manager of SDGM. Internal Audit has also carried out review on his Linked In profile and the followings employment records were noted:

No.	Position	Company	Tenure
1.	Design Director	The Sanderson Design Group	March 2010 - present
2.	Architect	Architect Firm 1	January 2010 - present

4.2.5 The failure to ensure that the construction and development of MAPS finish on original scheduled has caused ATP to incur additional cost from the needs to extend the services provided by QS1.

Initially, QS1 was hired by ATP for the following scope of services:

No.	Scope of service	Amount (RM)
1.	Comment and review on the contract price breakdown based on contract drawings.	100,000.00
2.	Assist in reviewing EPC contract based on FIDIC Form of Contract	80,000.00
3.	Progress claim evaluation (based on 30 months service period) <ul style="list-style-type: none"> • Original contract period – 24 months @ RM25,000 per month • Six (6) months service during Defect Liability Period @ RM25,000 per month 	750,000.00
4.	Final accounts in liaising with Sanderson on their proposed final account	50,000.00
Total		980,000.00

However, due to the delays to the project, the service rendered by QS1 for item no. 3 i.e. Progress claim evaluation, has to be extended. In addition to that, there was also one (1) additional scope of work being awarded to QS1 for additional mechanical and electrical variation works valuation which to be carried out from May 2016 to December 2016. The details of the extension and additional work awarded were as follows:

No.	Scope of service	Amount (RM)
1.	Progress claim evaluation (as per item no. 3 in the above table) <ul style="list-style-type: none"> • Extended from April 2016 to December 2016 (9 months @ RM25,000 per month) 	225,000.00
2.	Post Valuation Service from July 2017 until Final Certificate @ RM25,000 per month	100,000.00
3.	Additional mechanical and electrical variation works valuation <ul style="list-style-type: none"> • From May 2016 to December 2016 (8 months @ RM15,000 per month) 	120,000.00
Total		445,000.00

Thus, the total contract value awarded to QS1 were as follows:

No.	Scope of service	Amount (RM)
1.	Comment and review on the contract price breakdown based on contract drawings.	100,000.00
2.	Assist in reviewing EPC contract based on FIDIC Form of Contract	80,000.00
3.	i. Progress claim evaluation (based on 30 months service period) <ul style="list-style-type: none"> • Original contract period – 24 months @ RM25,000 per month • Six (6) months service during Defect Liability Period @ RM25,000 per month 	750,000.00
	ii. Progress claim evaluation (extension) <ul style="list-style-type: none"> • Extended from April 2016 to December 2016 (9 months @ RM25,000 per month) 	225,000.00
4.	Post Valuation Service from July 2017 until Final Certificate @ RM25,000 per month	100,000.00
4.	Additional mechanical and electrical variation works valuation <ul style="list-style-type: none"> • From May 2016 to December 2016 (8 months @ RM15,000 per month) 	120,000.00
5.	Final accounts in liaising with Sanderson on their proposed final account	50,000.00
Total		1,425,000.00

As of the date of the audit, the following were the payments made to QS1 for the initial services as well as the extended and additional services rendered by QS1:

No.	Details	Contract Value (RM)	Payment (RM)
1.	Comment and review on the contract price breakdown based on the contract drawings	100,000.00	100,000.00
2.	Assist in reviewing EPC contract based on FIDIC form of contract	80,000.00	80,000.00
3.	Progress claim Evaluation Work Done:		
	i. Initial contract period	750,000.00	750,000.00
	ii. Extended period	225,000.00	225,000.00
4.	Additional M&E valuation service from May 2016 to December 2016	120,000.00	120,000.00
5.	Post Valuation Service from July 2017 until Final Certificate @ RM25,000 per month	100,000.00	100,000.00
6.	Preparation of Final Account	50,000.00	25,000.00
Total		1,425,000.00	1,400,000.00

As per the above table, at the date of the audit, ATP has made a total of RM1,400,000 to QS1 for the services rendered during the course of construction and development of MAPS. From that amount, it was noted that RM425,000 (RM225,000 + RM120,000 + RM100,000), which has been paid for the extension of the service of progress claim evaluation, was incurred due to the inability to open up the park as per the initial schedule (within 24-months after the signing of turnkey contract between ATP and SDGM).

4.2.6 Retention sum for the progress claims was waived in progress claim no. 23 onwards, and the amount retained has been released prior to the completion of the project.

Retention is a percentage of the amount certified as due to the contractor on an interim certificate, that is deducted from the amount due and retained by the employer. The purpose of retention is to ensure that the contractor properly completes the activities required of them under the contract. Apart from that, it also safeguards the employer from any defective or non-conforming work by the contractor.

Based on review, it was noted that for every progress claim by SDGM, a sum of amount was deducted and retained as retention sum. However, the retention sum was no longer deducted from the progress claim started from progress claim no. 23 onwards, as summarized below:

Progress claim no.	Status of retention sum
1 to 20	10% from the progress claim was deducted as retention sum.
21 to 22	5% from the progress claim was deducted as retention sum.
23 to 37	Retention sum condition was waived.

The chronology of the situation was as follows:

No.	Source	Date	Details
1.	ATP's Board of Directors' Meeting	12-Nov-15	<ul style="list-style-type: none"> SDGM has requested ATP to release the retention sum, stating that there was no contractual entitlement for ATP to retain such sum. ATP has obtained legal opinion stating that ATP as employer of the contract was entitled to retain retention sum through clause 14.3(c) and 14.9 of the General Conditions of the turnkey contract. The Board of Directors has instructed Management of ATP to negotiate with SDGM on ATP's willingness to reduce the % from 10% to 5% of the progress claim, up to maximum of 5% of the contract value.
2.	ATP's Board of Directors' Meeting	29-Dec-15	<ul style="list-style-type: none"> On the proposal of the Management of ATP, the Board of Directors has approved to reduce the % of retention sum from 10% to 5% of progress claim, up to maximum of 5% of the contract value. This has been reflected on progress claim no. 21 onwards.
3.	ATP's Board of Directors' Meeting	7-Apr-16	<ul style="list-style-type: none"> On the proposal of the Management of ATP, the Board of Directors has approved to release the entire sum of retention monies to SDGM upon the receipt of Corporate Guarantee of 5% of the contract value from SDGM.

The details of the retention sum was as follows:

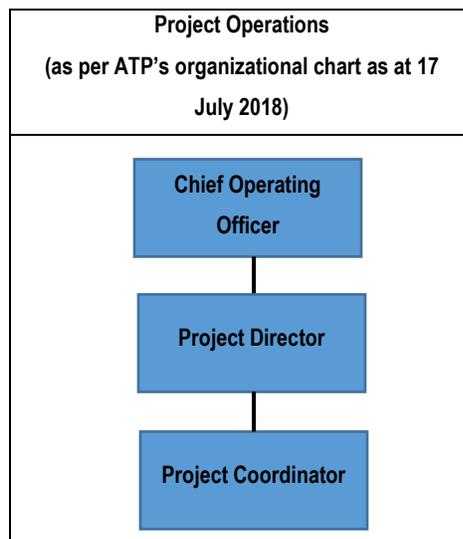
Progress claim	Accumulated retention sum (RM)
1 to 20	15,336,930.40
21 to 22	*8,866,465.76
23 to 37	Waived

**Note: Due to reduction of retention sum from 10% to 5%.*

On further review, it was noted that the Corporate Guarantee of 5% of the contract value amounted to RM15,336,940.40 has been issued by SDGM on 12 April 2016.

4.2.7 The available manpower assigned to monitor and manage the construction and development of MAPS on behalf of ATP was deemed to be inadequate to cover every scopes related to the project.

Based on review, it was noted that the following was the official structure of project team for ATP (which was called Project Operations under the Operations Division) for the monitoring and management of the construction and development of MAPS:



With the above resources, Internal Audit was of the opinion that the size of the project team available was deemed to be insufficient to carry out an effective and efficient function in monitoring and management of the construction and development of MAPS for ATP.

4.3 SUPPLEMENTARY CONTRACT NO. 1

4.3.1 The proposed works under the supplementary contract no. 1 has not been properly completed by SDGM.

As at the date of the audit, the status of completion for the proposed works under the supplementary contract no. 1 were as follows:

Contract	Contract Value (RM)	Certification Documents	Value of Works Certified (RM)
Supplementary contract no. 1	22,000,000.00	Interim Valuation no. 10	18,496,302.65

The summary of the Interim Valuation no. 10 was as follows:

No.	Details	Contract Value (RM)	Certified Value (RM)
1.	Chair Swing Ride	4,000,000.00	3,834,379.04
2.	Kamikaze Thrill Ride	3,000,000.00	2,812,095.49
3.	Future Attraction (Item not used)	-	-
4.	Photo op/standees (Blast Off)	150,000.00	149,250.00
5.	Wormhole Attraction	3,000,000.00	1,470,235.63
6.	Smurf Partyland	1,600,000.00	1,294,935.00
7.	Cartoon Factory	4,500,000.00	2,739,329.65
8.	Spinning Coaster	800,000.00	792,000.00
9.	Photo op/standees (Fantasy Forest)	150,000.00	149,250.00
10.	Selfie Boardwalk (Fantasy Forest)	300,000.00	285,411.00
12.	International Cultural Celebration	700,000.00	342,220.00
13.	Lighting Effects (BO1/Plot E)	800,000.00	170,925.00
14.	Retail Warehouse (BO2)	1,200,000.00	312,574.50
15.	Development of Adventurous IP	1,800,000.00	640,000.00
16.	Balance of advance payment to be recouped	-	3,503,697.34
Total		22,000,000.00	18,496,302.65

Failure to properly complete the proposed works of the supplementary contract has left MAPS with incomplete attractions such as Cartoon Factory, Wormhole and International Cultural Celebration. This has caused MAPS to be unable to fully utilise the potential of these three (3) attractions.

4.3.2 Apart from the presentation made by SDGM to the Board of Directors of ATP, the documents to support that a proper study or review has been carried out on the need for the proposed enhancement of the rides and attraction of MAPS, could not be sighted during the audit.

Based on review, it was noted that prior to the signing of the supplementary contract no. 1, it was noted that a special presentation was made by SDGM to the Board of Directors of ATP with regards to the need to increase the number of attraction available in MAPS. The presentation was made by SDGM during ATP's Board of Directors' Meeting on 7 April 2016.

During the presentation, SDGM has highlighted that the original construction and development of MAPS as per the turnkey contract has 98,118 units of entertainment. As a result of limited budget, the project was scaled down by 23.6% to 75,772 units of entertainment. Hence the needs to have expansion plan and additions to the rides and attractions in MAPS, in which SDGM has envisaged that the proposal would increase the units of entertainment by 11.7% to 110,710.

However, apart from the presentation during the Board of Directors' Meeting, the evidence to show that a study or review was carried out to verify the facts and figures that has been presented as well as the potential increase of revenue and operating cost that could derived from the expansion plan could not be sighted during the audit.

It was also noted that the proposal was approved by the Board of Directors during the same meeting with a specific note on the needs to look for cost saving opportunities as the expansion plan would require a substantial investment.

On further review, it was noted that the approved proposal was then being presented to the Board of Directors of PCB during Board of Directors' Meeting on 9 May 2016.

For the expansion plan, Internal Audit was of the opinion that when there was a proposal to expand the park due to the insufficient number of units of entertainment available as per the original plan, and it was even before the park was opened to the public, it would raise question that the original contract of the construction and development of the park may not be properly designed and constructed.

4.3.3 The agreed cost as per the contract sum breakdown in supplementary contract no. 1 for certain rides and attractions that has been omitted from turnkey contract and carried forward to supplementary contract no. 1 could not be quantified and traced directly from the contract sum breakdown of the turnkey contract and matched accordingly with the contract sum breakdown of the supplementary contract no. 1.

Initially, the following rides and attractions formed part of the turnkey contract:

No.	Rides / Attraction	No.	Rides / Attraction
1.	Cartoon Factory	13.	Kids Live Animation Show
2.	Open Stage Show	14.	Kids Bumper Cars
3.	4D Theatre	15.	Kids Round Ride
4.	SFX Movie Magic	16.	Kids Street Show Live Broadcast
5.	Fantasy Forest Walk Through	17.	Indoor Kids Play
6.	Street Show Meet & Greet Costumes	18.	Dark Ride Coaster
7.	Mr. Peabody & Sherman	19.	Redemption Game Area
8.	Casper Dark Ride	20.	Car Stunt Show
9.	Live Theatre Production	21.	Family Swing Ride
10.	Giant Drop	22.	Disco Ride
11.	Kids Carousel	23.	Enterprise Ride
12.	Kids Wet Play Area		

However, two (2) rides and attraction as well as the development of Adventurers IP has been omitted from the turnkey contract and included in the supplementary contract no. 1. The details were as follows:

No.	Details
1.	Chair Swing Ride (known as Family Swing Ride in supplementary contract no. 1)
2.	Cartoon Factory
3.	Development of Adventurers IP

Based on further review, the followings were the contract sum breakdown as per the supplementary contract no. 1 for those items that has been carried forward from the turnkey contract:

No.	Details	Chair Swing Ride (known as Family Swing Ride in turnkey contract)	Cartoon Factory	Development of Adventures IP
		Amount (RM)	Amount (RM)	Amount (RM)
1.	Design and consultation fees	211,000.00	461,000.00	N/A

No.	Details	Chair Swing Ride (known as Family Swing Ride in turnkey contract)	Cartoon Factory	Development of Adventures IP
		Amount (RM)	Amount (RM)	Amount (RM)
2.	Project management fees	106,000.00	231,000.00	N/A
3.	Preliminaries	211,000.00	461,000.00	N/A
4.	General contractor works	546,000	513,000.00	N/A
5.	Interior fit-out works	N/A	448,000.00	N/A
6.	Attractions – rides and shows	388,000.00	1,602,000.00	1,600,000.00
7.	Themed finishes	388,000.00	384,000.00	200,000.00
8.	Establishment of operations	N/A	N/A	N/A
9.	Ride procurement	2,150,000.00	400,000.00	N/A
Total		4,000,000.00	4,500,000.00	1,800,000

However, it was noted that the figures as per the above contract sum breakdown could not be matched with the original cost as per the turnkey contract. The comparison of contract sum breakdown for respective items between turnkey contract and supplementary contract no. 1 were as follows:

a) Chair Swing Ride (known as Family Swing Ride in turnkey contract)

No.	Details	Chair Swing Ride (known as Family Swing Ride in turnkey contract)	
		Turnkey contract Amount (RM)	Supplementary contract no. 1 Amount (RM)
1.	Design and consultation fees	-	211,000.00
2.	Project management fees	-	106,000.00
3.	Preliminaries	-	211,000.00
4.	General contractor works	-	546,000
5.	Attractions – rides and shows	102,540.00	388,000.00
6.	Themed finishes	20,510.00	388,000.00
7.	Ride procurement	869,400.00	2,150,000.00
Total		992,450.00	4,000,000.00

b) Cartoon Factory

No.	Details	Cartoon Factory	
		Turnkey contract Amount (RM)	Supplementary contract no. 1 Amount (RM)
1.	Design and consultation fees	-	461,000.00
2.	Project management fees	-	231,000.00

No.	Details	Cartoon Factory	
		Turnkey contract Amount (RM)	Supplementary contract no. 1 Amount (RM)
3.	Preliminaries	-	461,000.00
4.	General contractor works	1,524,800.00	513,000.00
5.	Interior fit-out works	274,100.00	448,000.00
6.	Attractions – rides and shows	107,670.00	1,602,000.00
7.	Themed finishes	410,160.00	384,000.00
8.	Ride procurement	1,811,250.00	400,000.00
Total		4,127,980.00	4,500,000.00

c) Development of Adventurers IP

No.	Details	Development of Adventurers IP	
		Turnkey contract Amount (RM)	Supplementary contract no. 1 Amount (RM)
1.	Attractions – rides and shows	-	1,600,000.00
2.	Themed finishes	-	200,000.00
3.	Establishment of operations	1,836,932.00	-
Total		1,836,932.00	1,800,000.00

On further review, it was noted that there were certain elements of these rides and attractions that has been retained from the turnkey contract. The rest of the elements were omitted from turnkey contract. The details of the retained elements of the three (3) rides and attractions were as follows:

No.	Details	Turnkey contract (RM)	Element retained from turnkey contract (RM) a	Supplementary contract no. 1 (RM) b	Total cost (RM) c = a + b						
1.	Chair Swing Ride (known as Family Swing Ride in supplementary contract no. 1)	992,450.00	*123,050.00	4,000,000.00	4,123,050.00						
	<table border="1"> <thead> <tr> <th>Details</th> <th>RM</th> </tr> </thead> <tbody> <tr> <td>Attractions – rides and shows (transportation, storage, installation and theming)</td> <td>123,050.00</td> </tr> <tr> <td>Total</td> <td>*123,050.00</td> </tr> </tbody> </table>	Details	RM	Attractions – rides and shows (transportation, storage, installation and theming)	123,050.00	Total	*123,050.00				
Details	RM										
Attractions – rides and shows (transportation, storage, installation and theming)	123,050.00										
Total	*123,050.00										

No.	Details	Turnkey contract (RM)	Element retained from turnkey contract (RM) a	Supplementary contract no. 1 (RM) b	Total cost (RM) c = a + b	
2.	Cartoon Factory	4,127,980.00	**2,132,630.00	4,500,000.00	6,632,630.00	
	Details					RM
	General contractor works					1,524,800.00
	Interior fit-out works					90,000.00
	Attractions – rides and shows					107,670.00
	Themed finishes					410,160.00
	Total					**2,132,630.00
3.	Development of Adventurers IP	1,836,932.00	***1,148,082.62	1,800,000.00	2,948,082.62	
	Details					RM
	Establishment of operations					1,148,082.62
	Total					***1,148,082.62

The inability to directly identify and match the original cost as per the turnkey contract with the one in the supplementary contract no. 1 has raised question on the accuracy of the cost, especially when the cost as per supplementary contract no. 1 was more than the initial cost as per the turnkey contract.

4.3.4 The attraction named Selfie Boardwalk (Fantasy Forest) which was constructed as part of the supplementary contract no. 1 has to be shut down in less than one (1) year in operation from the date of the soft opening of MAPS.

The contract sum breakdown for Selfie Boardwalk (Fantasy Forest) was as follows:

No.	Details	Amount (RM)
1.	Design and consultation fees	30,000.00
2.	Project management fees	15,000.00
3.	Preliminaries	30,000.00
4.	General Contractor works	51,250.00
5.	Attraction – rides and shows	91,250.00
6.	Themed finishes	82,500.00
Total		300,000.00

As at the date of the audit, the certification of work completion and payment made for Selfie Boardwalk (Fantasy Forest) were as follows:

Details	Amount (RM)
Certification of work completion as per Interim Claim no. 10	285,411.00
Payment made	285,411.00

Based on review, due to safety reason as there was a problem with the condition of its structure, Selfie Boardwalk (Fantasy Forest) has to be shut down on 11 June 2018. It was noted that there was no physical report issued for the closure of the attraction.

As the attraction has to be shut down in less than one (1) year in operation, it has caused MAPS to be unable to maximise the utilisation and potential of the attraction.

As the date of the audit, Selfie Boardwalk (Fantasy Forest) was yet to be opened for quest due to pending repairs.

4.3.5 Relocation of the spinning coaster from Blast Off Zone to Fantasy Forest Zone has caused ATP to incur additional relocating cost of RM792,000.00.

The relocation of spinning coaster was part of supplementary contract no. 2. The details were as follows:

Details	Amount (RM)
Price as per supplementary contract no. 1	800,000.00
Certification of work completion as per Interim Valuation no. 10	792,000.00
Payment	792,000.00

Based on review, it was noted that due to the expansion plan, thus it was proposed that the spinning coaster to be relocated to Fantasy Forest Zone to make way for the installation of Chair Swing Ride and Kamikaze Thrill Ride at the Blast Off Zone.

Again, having to relocate an already-installed rides and to incur additional cost on the relocation works, it has raised question that the initial plan as per the turnkey contract may not be properly designed and constructed.

4.4 SUPPLEMENTARY CONTRACT NO. 2

4.4.1 The proposed deliveries of lake coaster as per the supplementary contract no. 2 has not been properly completed by SDGM.

As at the date of the audit, the status of completion for the proposed deliveries of lake coaster as per the supplementary contract no. 2 were as follows:

Contract	Contract Value (RM)	Certification Documents	Value of Works Certified (RM)
Supplementary contract no. 2	24,434,850.00	Interim Valuation no. 1	20,104,550.00

The summary of the Interim Valuation no. 1 was as follows:

No.	Details	Contract Value (RM)	Certified Value (RM)
1.	Concept & Creative	326,800.00	163,400.00
2.	Site Inspection Project Team and Ride Manufacturer	276,300.00	276,300.00
3.	Architectural Design/ Engineering/ Authority Submission	860,000.00	430,000.00
4.	Project Management Cost	650,000.00	-
5.	Construction Management Cost	764,300.00	-
6.	Preliminary Costs	2,100,000.00	-
7.	Unpack, inspect, re-stuff 68 no's 40ft Open Top Containers in Brazil	560,000.00	504,000.00
8.	Sea Freight 68 no's 40ft Open Top Containers (Provisional)	1,428,000.00	1,285,200.00
9.	Custom Clearance from Malaysia	38,000.00	34,200.00
10.	Road Freight KL to Ipoh	200,000.00	180,000.00
11.	Insurances	126,000.00	126,000.00
12.	Transportation 68 no's 40ft Open Top Containers to Brazil Port (Provisional)	217,000.00	217,000.00
13.	Custom Clearance from Brazil	75,000.00	75,000.00
14.	Procurement of ride	16,813,450.00	16,813,450.00
	Total	24,434,850.00	20,104,550.00

4.4.2 The non-materialization of the second part of the supplementary contract no. 2 (installation of lake coaster) has caused the installation phase to be stalled.

The important milestones in respect of the signing of the supplementary contract no. 2 were as follows:

Source	Date	Details
ATP's Board of Directors' Meeting	7-Apr-16	<ul style="list-style-type: none"> Board of Directors has approved the proposed estimated budget for the enhancement plan totalling to RM57,000,000.00
ATP's Board of Directors' Meeting	21-Jul-16	<ul style="list-style-type: none"> Board of Directors has approved ATP to proceed with the supplementary contract no. 1 totalling to RM22,000,000.00 (with the exception of lake coaster).
ATP's Board of Directors' Meeting	9-Nov-16	<ul style="list-style-type: none"> Board of Directors has approved ATP to proceed with the supplementary contract no. 2 for the procurement and transportation of lake coaster to MAPS.

As there was no agreement being signed with regards to the installation of the coaster, it has stalled the installation phase and caused ATP to be unable to utilise the coaster even though a RM20,104,550.00 has been spent on the coaster for the procurement and transportation.

4.5 PAYMENT – PAYMENT FOR COMPLETION OF WORKS, PAYMENT MADE OF BEHALF AND ADVANCES

For the purpose of construction and development of MAPS, SDGM was appointed as the main contractor, with all the subcontractors were subsequently being appointed by SDGM, without having any contractual relation with ATP. The followings were the value of certified works as well as the status of payment as at the date of the audit:

No.	Contract	Certified work value (RM)	Payment made (work value) (RM)	GST (RM)	Total payment made (RM)
1	Turnkey Contract (Progress claim 1 to 37)	285,793,670.46	285,793,670.46	11,499,706.77	297,293,377.23
2	Supplementary contract no. 1 (Progress claim 1 to 10)	18,496,302.65	18,496,302.65	1,109,778.16	19,606,080.81
3	Supplementary contract no. 2 (Progress claim 1)	20,104,550.00	20,104,550.00	197,469.00	20,302,019.00
Total		324,394,523.11	324,394,523.11	12,806,953.93	337,201,477.04

i. TURNKEY CONTRACT

Details of payment for the turnkey contract were as follows:

Certification of work completion by QS1 and *QS2	Claims by SDGM	Progress Claim Period	Payment details	Amount (RM)
Interim valuation no. 1 to 4	Progress claim no. 1 to 4	15 May 2014 – 4 August 2014	Novation of debt to RSGM	55,562,312.50
Interim valuation no. 5 to 31	Progress claim no. 5 to 31	24 August 2014 – 25 October 2016	Direct payment to main contractor (SDGM) – STL drawdown	196,419,833.97
Interim valuation no. 32	Progress claim no. 32	28 November 2016	Direct payment to main contractor (SDGM) – STL drawdown.	12,721,597.94
			Direct payment to sub-cons – payment by ATP	4,288,041.15
Interim valuation no. 33 to 37	Progress claim no. 33 to 37	28 December 2016 – 26 April 2017	Direct payment to sub-cons – payment by ATP	28,301,591.70
Total				297,293,377.23

**Note: Certification by QS2 was only for interim valuation no. 1 to 31.*

Based on review, it was noted that towards the end of 2016, there were complaints made by subcontractors appointed by SDGM claiming that SDGM has failed to pay them accordingly upon completion of works, and this has caused delays to the progress on the site. Due to that, ATP has decided to make direct payments to subcontractors on behalf of SDGM, and the amount was then to be set off against progress claims by SDGM. The direct payments started in progress claim no. 32 until progress claim no. 37 (final progress claim by SDGM for the turnkey contract).

The followings was the weakness noted in the payment process for the turnkey contract:

4.5.1 Payments made by ATP directly to subcontractors for the progress claim no. 33 to 37 were made prior to certification of work completion by QS1.

Based on review, it was noted that the payment to subcontractors were made prior to the certification of work completion by QS1, and it were supported by invoices from subcontractors, which has been verified by SDGM.

From discussion with Finance Department of ATP, Internal Audit was informed that due to the needs to expedite the progress on site, as well as based on the complaints by subcontractors claiming that SDGM failed to pay

them accordingly, ATP has decided to make the payment directly to subcontractors, on behalf of SDGM, by only relying on the invoices issued by subcontractors which has been verified by SDGM.

In addition to that, Internal Audit was also informed that upon issuance of certification of work completion by QS1, the payments would then be set off against the value of work certified as per the certification by QS1. Any excess of payments were to be deducted from the next certification of work completion.

The details of the payment made prior to issuance of certification of work completion by QS1 were as follows:

Interim Valuation		Payment		
No.	Date	Date	Lapse between certification and payment date	Value (RM)
33	08-Feb-17	24-Jan-17	(15)	4,747,437.05
34	28-Feb-17	17-Feb-17	(11)	19,672.80
		20-Feb-17	(8)	1,241,585.32
		22-Feb-17	(6)	19,816.55
		23-Feb-17	(5)	62,146.44
		24-Feb-17	(4)	37,386.51
35	25-Apr-17	13-Feb-17	(71)	7,345
		06-Mar-17	(50)	12,913
		08-Mar-17	(48)	6,202,945
36	12-May-17	08-Mar-17	(65)	1,638,337.00
		10-Mar-17	(63)	79,872.95
		16-Mar-17	(57)	101,698.30
		17-Mar-17	(56)	5,920,308.48
		27-Mar-17	(46)	882,000.31
		07-Apr-17	(35)	129,712.10
		14-Apr-17	(28)	203,028.16
		26-Apr-17	(16)	100,000.00
11-May-17	(1)	80,099.29		
37	13-Jul-17	17-Mar-17	(118)	1,480,280.60
		20-Mar-17	(115)	250,000.00
		23-Mar-17	(112)	21,176.20
		24-Mar-17	(111)	71,969.09
		27-Mar-17	(108)	2,058,444.01
		28-Mar-17	(107)	385,414.77
		31-Mar-17	(104)	2,029,379.03

ii. **SUPPLEMENTARY CONTRACT NO. 1**

Details of payment for the supplementary contract no. 1 were as follows:

Certification of work completion by QS1	Claim by SDGM	Progress Claim Period	Payment made by	Amount (RM)
Interim valuation no. 1 to 10	Progress claim no. 1 to 10	10 August 2016 – 22 May 2017	Direct payment to sub-cons – payment by ATP	19,606,080.81
Total				19,606,080.81

For supplementary contract no. 1, it was noted that the payments were made directly to subcontractors by ATP.

The following was the weakness noted in the payment process for supplementary contract no. 1:

4.5.2 Payment by ATP directly to subcontractors for the progress claim no. 1, 7, 8 and 9 were made prior to certification of work completion by QS1.

Based on review, it was noted that there were instances where payment to subcontractors were made prior to the issuance of certification of work completion by QS1. The details were as follows:

Interim Valuation		Payment		
No.	Date	Date	Lapse between certification and payment date	Value (RM)
1	11-Aug-16	01-Jul-16	(41)	2,000,000.00
		26-Jul-16	(16)	9,000,000.00
7	22-Mar-17	08-Mar-17	(14)	465,522.75
		09-Mar-17	(13)	4,773.90
		10-Mar-17	(12)	4,958,70
		13-Mar-17	(9)	4,974.85
8	10-Apr-17	08-Mar-17	(33)	321,663.06
9	30-May-17	17-Mar-17	(74)	920,863.06
		27-Mar-17	(64)	359,485.46
		03-May-17	(27)	42,612.86
10	23-Jun-17	31-Mar-17	(84)	329,221.72
		3-Apr-17	(81)	209,865.81

iii. **SUPPLEMENTARY CONTRACT NO. 2**

Details of payment for the supplementary contract no. 2 were as follows:

Certification of work completion by QS1	Claim by SDGM	Progress Claim Period	Payment made by	Amount (RM)
Interim valuation no. 1	Progress claim no. 1	16-Jan-17	Direct payment to main contractor (SDGM)	18,088,055.96
			Direct payment to sub-cons – payment by ATP	2,213,963.04
Total				20,302,019.00

As per the above table, it was noted that for supplementary contract no. 2, payments were made directly to SDGM except for the amount paid to transporter for the shipping cost incurred for transporting lake coaster to MAPS.

The followings were weaknesses noted in the payment process for supplementary contract no. 2:

4.5.3 Payments for lake coaster were made prior to certification of work completion by QS1.

Based on review, it was noted that payments made to SDGM and subcontractors for the lake coaster were prior to the issuance of certification of work completion by QS1. The details were as follows:

Interim Valuation		Payment		
No.	Date	Date	Lapse between certification and payment date	Value (RM)
1	08-Mar-17	05-Sep-16	(184)	3,000,000.00
		22-Nov-16	(106)	186,550.00
		30-Nov-16	(98)	302,016.00
		11-Oct-16	(148)	6,720,000.00
		28-Oct-16	(131)	10,093,453.00

On further review, it was noted that this was caused by advances given by ATP to SDGM for the purchase of the lake coaster. The advances were later being set off against the claim by SDGM upon certification of work completion by QS1.

4.5.4 ATP has made a total payment amounting to RM22,085,963 for the lake coaster even though the certification of works for the inversion coaster by QS1 was only RM20,302,019 (inclusive of GST). This has resulted to an excess payment of RM1,783,944.

On 16 January 2017, SDGM has submitted its first claim for the cumulative work done on the inversion coaster. The summary of the claim is as follows:

Design, Preliminary and Transportation				
No.	Details	Contract Value RM	Percentage of workdone	Value of workdone RM
1.	Concept & Creative	326,800	50%	163,400
2.	Site inspection project team and ride manufacturer	276,300	100%	276,300
3.	Architectural Design / Engineering / Authority / submission	860,000	50%	430,000
4.	Project Management Cost	650,000	100%	650,000
5.	Construction management cost	764,300	100%	764,300
6.	Preliminary costs	2,100,000	100%	2,100,000
7.	Unpack, inspect, restuff 68 nos 40ft open top containers in Brazil with ride manufacturer	560,000	100%	560,000
8.	Sea freight 68 nos 40ft open top containers (provisional)	1,428,000	100%	1,428,000
9.	Custom clearance from Malaysia	38,000	100%	38,000
10.	Road freight KL to Ipoh	200,000	100%	200,000
11.	Insurances	126,000	100%	126,000
12.	Transportation 68 nos 40ft open top containers to Brazil port (provisional)	217,000	100%	217,000
13.	Customs clearance from Brazil	75,000	100%	75,000
Sub-total		7,621,400		7,028,000
Procurement of ride				
No.	Details	Contract Value RM	Percentage of workdone	Value of workdone RM
1.	Procurement ride equipment based on USD4,000,000 (estimated on 4.3 exchange rate)	17,200,000	100%	*16,813,450
Sub-total		17,200,000		16,813,450
GRAND TOTAL		24,821,400		23,841,450

*Note:

Procurement of ride

<i>Value</i>	<i>Exchange rate</i>	<i>Total</i>
USD1,600,000	4.185	RM6,696,000
USD2,400,000	4.2155833	RM10,117,400

Other chargers

	<u>RM50</u>
Total	<u><u>RM16,813,450</u></u>

On 8 March 2017, QS1 has certified the workdone as per the above claim by SDGM through Interim Claim no.

1. The details of the certification is as follow:

Design, Preliminary and Transportation					
No.	Details	SDGM's claim RM	Percentage of Workdone as per SDGMs claim	Certification of workdone by QS1 RM	Percentage of workdone as per QS1's certification
1.	Concept & Creative	163,400	50%	163,400	50%
2.	Site inspection project team and ride manufacturer	276,300	100%	276,300	50%
3.	Architectural Design / Engineering / Authority / submission	430,000	50%	430,000	50%
4.	Project Management Cost	650,000	100%	-	0%
5.	Construction management cost	764,300	100%	-	0%
6.	Preliminary costs	2,100,000	100%	-	0%
7.	Unpack, inspect, restuff 68 nos 40ft open top containers in Brazil with ride manufacturer	560,000	100%	504,000	90%
8.	Sea freight 68 nos 40ft open top containers (provisional)	1,428,000	100%	1,285,200	90%
9.	Custom clearance from Malaysia	38,000	100%	34,200	90%
10.	Road freight KL to Ipoh	200,000	100%	180,000	90%
11.	Insurances	126,000	100%	126,000	100%
12.	Transportation 68 nos 40ft open top containers to Brazil port (provisional)	217,000	100%	217,000	100%
13.	Customs clearance from Brazil	75,000	100%	75,000	100%
Sub-total		7,028,000		3,291,100	3,291,100
Procurement of ride					
No.	Details	SDGM's claim RM	Percentage of Workdone as per SDGM's claim	Certification of workdone by QS1 RM	Percentage of workdone as per QS1's certification
1.	Procurement ride equipment based on USD4,000,000 (estimated on 4.3 exchange rate)	16,813,450	100%	16,813,450	100%
Sub-total		16,813,450		16,813,450	
GRAND TOTAL		23,841,450		20,104,550	
GST				197,469	
GRAND TOTAL INCLUDING GST				20,302,019	

On further review, it was noted that the payment made by ATP to SDGM for the inversion coaster was more than the certified amount. The details of the payment is as follows:

No.	Date	Details	Amount RM
1.	5-Sep-16	Advances	3,000,000.00
2.	11-Oct-16	Procurement of ride	6,720,000.00
3.	28-Oct-16	Procurement of ride	10,152,000.00
4.	22-Nov-16	Stuffing Company	186,550.00
5.	30-Nov-16	Ex-work charges & ocean freights to Trans	1,013,706.52
6.	5-Jan-17	Ex-work charges & ocean freights to Trans	1,013,706.52
Total			22,085,963.04

Based on the payment details, it was noted that ATP has paid SDGM more than the certified amount. The surplus, which was amounted to RM1,783,944.04 (RM22,085,963.04 minus RM20,302,019.00), was to be deducted from the next progress claim. However, there was no other subsequent claim made by SDGM on the lake coaster as the work on the coaster stalled after the progress claim no. 1.

iv. PAYMENT TO BE CLAIMED BACK FROM SDGM

During the course of construction and development of MAPS, ATP has gave numerous advances as well as made payments to subcontractors and vendors on behalf of SDGM. The amounts were to be claimed back from SDGM. The details were as follows:

Table - Overall

A. Advance / payment made on behalf of SDGM		
No.	Details	Amount (RM)
1.	Payment made on behalf of SDGM	11,614,133.00
2.	Direct payment to subcontractors by PCBD	14,924,042.55
3.	Direct payment to subcontractors by ATP as per LOU	10,923,990.03
4.	Direct payment to subcontractors	42,586,589.69
5.	Excess payment for lake coaster	1,783,944.04
6.	Advance payment to be recouped (for turnkey contract, supplementary contract no. 1 and 2)	10,558,187.04
Subtotal (A)		92,390,886.35
B. Back Charges to SDGM – Rectification works		
7.	Billable to SDGM- Labour	752,447.77
8.	Billable to SDGM - Hardware	523,315.30
9.	Billable to SDGM - Utilities	1,365,127.93
10.	Billable to SDGM - Miscellaneous	5,544,463.53
Subtotal (B)		8,185,354.53

Total payment to be claimed back from SDGM as at 6 Dec 2018 (A + B)	100,576,242.08
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Source: Payment List and Proof of Debt from Finance Department of ATP as at 6 December 2018

The following observations were noted from the review on the advances / payment made on behalf of SDGM:

4.5.5 Supporting documents for the payment on behalf of SDGM by PCBD amounted to RM14,863,534, from the total of RM14,924,043, could not be sighted during the audit.

Item no. 2 of the above table was the payments made on behalf of SDGM by PCBD. The payments were made upon signing of the shareholders' advance agreement between PCBD and ATP, in which PCBD has agreed to make available to ATP advances up to RM140,000,000.

Upon signing of the shareholders' advance agreement, PCBD has immediately make a payment on behalf of SDGM to subcontractors for the outstanding amount of RM14,924,042.55. From review, it was noted that prior to the payments, SDGM has issued out a list of outstanding subcontractors' invoices to ATP that need to be paid urgently. From the list, payments were made by PCBD, on behalf of SDGM, direct to the respective subcontractors.

However, on further review, from the total of RM14,924,042.55 worth of payment made, it was noted that apart from the list by SDGM, the supporting documents i.e. invoices for the payments amounted to RM14,863,533.51 could not be sighted during the review. Only four (4) invoices amounted to RM60,509.04 has been sighted.

Furthermore, it was also noted that the four (4) invoices that has been sighted was already being claimed and paid to SDGM previously through progress claim no. 25, 26, 27 and 30.

4.5.6 Issuance of Letter of Undertaking (LOU) to commit on the amount outstanding to SDGM's subcontractors (by SDGM) has caused ATP to bear unnecessary commitment which were supposedly not a concern for ATP.

Towards the end of 2016, ATP has decided to pay some of the outstanding amount to subcontractors, depending on the importance of the subcontractors towards the completion of the construction and development of MAPS.

Due to that, numerous LOUs were issued to the selected subcontractors, to provide assurance to the subcontractors that ATP would settle off the outstanding amount owed by SDGM to the subcontractors for the certified completed works.

The following were the conditions stated as per the LOU:

- i. Pending settlement of the outstanding sum by PCB, subcontractors shall continue the works and complete the works within the agreed completion period as stated in the contract with SDGM.
- ii. Subcontractors acknowledge and agree that PCB undertakes to pay subcontractors to ensure Completion Date is achieved hence if subcontractors fail to recommence the Works or complete the works or breach the contract of the Works, subcontractors shall refund to PCB all monies paid to you by PCB within 14 days of receiving written demand from PCB and subcontractors shall indemnify and keep PCB indemnified against any loss, damages, costs and expenses arising from the said payment or failure or breach.”

Upon review on the process of issuance of LOU and payments made for the LOU issued, the following observations were noted:

- 1. A total of fifty-three (53) LOU has been issued to thirty-five (35) subcontractors amounting to RM21,065,726.48 with the outstanding balances as at 6 December 2018 were RM10,164,255.09.**
-

Based on review, it was noted that fifty-three (53) LOU has been issued to thirty-five (35) subcontractors amounting to RM21,065,726.48.

As at the date of the audit, from the total of LOU issued, payments amounted to RM10,923,990.03 has been paid to various subcontractors with RM10,164,255.09 were still outstanding.

- 2. The accuracy of the value for a number of LOU issued could not be confirmed as confirmation from SDGM on the outstanding amount as well as statement of account (SOA) were not obtained prior to the issuance of LOU to subcontractors.**
-

Based on review, it was noted that the following steps were taken to confirm on the outstanding amount prior to issuance of LOU:

1. Letter of confirmation is sent to subcontractor in order to obtain the subcontractor's contract value with SDGM, amount paid to date, and amount outstanding to date. Subcontractor is also required to deliver supporting documents i.e. copy of contract, invoices, proof of work completion, SOA, etc.
2. Once confirmation is obtained, acknowledgement on the amount is sought from SDGM.
3. Then, LOU is issued to subcontractor.

However, it was noted that thirty-three (33) LOU issued were without confirmation from SDGM and eighteen (18) LOU issued were not supported by SOA. Lack of confirmation and supporting document has caused the accuracy of the value of the LOU issued to subcontractors could not be confirmed. The details were as follows:

No.	Date of LOU	Confirmation by SDGM	SOA
1	14-Nov-16	✓	✗
2	14-Nov-16	✓	✗
3	14-Nov-16	✓	✗
4	14-Nov-16	✓	✗
5	14-Nov-16	✓	✗
6	14-Nov-16	✓	✗
7	Feb '17	✗	✗
8	Feb '17	✗	✓
9	29-Mar-17	✗	✓
10	29-Mar-17	✗	✗
11	29-Mar-17	✗	✓
12	29-Mar-17	✗	✓
13	27-Apr-17	✗	✓
14	30-Mar-17	✗	✗
15	30-Mar-17	✗	✗
16	05-Apr-17	✗	✓
17	06-Apr-17	✗	✗
18	06-Apr-17	✗	✓
19	06-Apr-17	✗	✗
20	06-Apr-17	✗	✗
21	06-Apr-17	✗	✓
22	06-Apr-17	✗	✗
23	06-Apr-17	✗	✓
24	21-Jun-17	✗	✓

No.	Date of LOU	Confirmation by SDGM	SOA
25	06-Apr-17	✘	✓
26	06-Apr-17	✘	✘
27	06-Apr-17	✘	✓
28	06-Apr-17	✘	✓
29	06-Apr-17	✘	✓
30	27-Apr-17	✘	✘
31	03-May-17	✘	✓
32	03-May-17	✘	✓
33	11-May-17	✘	✓
34	03-May-17	✘	✓
35	03-May-17	✘	✓
36	14-Jun-17	✘	✓
37	20-Jun-17	✘	✓
38	22-Jun-17	✘	✓
39	21-Jun-17	✘	✘
40	26-Jan-18	✓	✘

Source: Summary of LOU issued as at 2018

On top of that, apart from the unconfirmed figures, there would also be a risk that the amount claimed as outstanding by subcontractors has been settled off by SDGM, to begin with, since Internal Audit could not verify payments made by SDGM to its subcontractors.

4.5.7 Payment made by ATP on behalf of SDGM to subcontractors for the work completion on the turnkey contract amounted to RM42,586,590 could not be set off against SDGM's claim as the progress claim for the turnkey has stopped at no. 37.

Subsequent from the method of payment used for progress claim no. 32 to 37 as highlighted in issue no. 1.1 under turnkey contract's section, it was noted that there were a balance of RM42,586,590 from the payment made on behalf of SDGM to subcontractors that could not be set off against any progress claim due to claim from SDGM has stopped at progress claim no. 37.

From review, it was noted that the payment made for these figures were supported by invoices from subcontractors. However, it was also noted that there were a number of invoices dated in the year 2015 and 2016. With the fact that the decision to make direct payment to subcontractors on behalf of SDGM were made

towards the end of 2016 (started from progress claim no. 32), it has raised questions whether invoices dated 2015 and 2016 have been claimed and paid initially through progress claims no. 10 to 32. The summary of the invoices were as follows:

Year	No. of invoice	Amount (RM)
2015	4	67,416.45
*2016	91	3,277,732.03
Total	95	3,345,148.48

Note: From January 2015 to November 2016

Even though there was a potential of double payment made for the same invoice, however, this could not be clearly established as Internal Audit did not has the access to SDGM's documents and accounts.

4.6 TERMINATION OF DREAWORKS

4.6.1 Termination of Dreamworks has caused ATP to incur loss on investment amounting to RM 59,476,634.

According to the agreement signed between ATP and Dreamworks dated 1 January 2013, the initial commitment to open up the park was on 31 December 2015. However, due to inability of ATP to fulfil the requirement, extension of time to fulfil the requirements was seek and subsequently obtained from Dreamworks. The details were as follows:

Description	Amount (USD)	Payment (RM)
Creative Services Fee for Agreement Year 2015 - Opening by 30 Jun 2016	50,000.00	209,550.00
Creative Services Fee for Agreement Year 2016 - Opening by 31 Dec 2016	100,000.00	407,900.00
Extension Fee – Opening by 28 Sept 2017	150,000.00	644,550.00
Extension Fee – Opening by 10 Jan 2017	250,000.00	1,058,750.00
Extension Fee – Opening by 30 March 2018	250,000.00	1,022,500.00
Extension Fee – Opening by 31 July 2018	500,000.00	1,964,250.00
Extension Fee – Opening by 30 September 2018	500,000.00	-
Total	1,800,000.00	5,307,500.00

However, on 1 August 2018, after failure to reach an agreement to open up Dreamzone to the public by the same date, ATP has decided to discontinue the license agreement entered previously with Dreamworks. Even though ATP has the option to extend the license agreement to 30 September 2018, but decided not to exercise the option in order to speed up the opening of zone.

As per the license agreement, ATP has to entirely remove the IP-related items from the park. Due to that, the following assets has to be written-off:

No.	Item	Cost	Impairment Loss	Net Amount	Remarks
1.	Construction cost (CWIP)	7,540,287	(3,804,850)	3,735,437	Themed finishes, interior fits out
2.	Megamind Live Show by Hasbas Entertainment Inc.	1,479,796	(755,792)	742,004	Creative Development and Music Video Production
3.	*Intangible Assets	45,303,250	(17,785,862)	27,517,388	DreamWorks License Fee
4.	Merchandise Inventories	3,173,591	-	3,173,591	Too costly to salvage
5.	F&B Tableware	159,425	-	159,425	Too costly to salvage
6.	Merchandise Inventories – Outstanding Purchase Order	1,802,285	-	1,802,285	Pending finalization and negotiation with vendors
	Total	59,476,634	(22,346,503)	37,130,131	

Note: Intangible assets were inclusive of extension fees, net present value of license fees and creative services fees.

After taking into consideration the reversal of impairment loss, the net impact was RM37,130,131. The approval has been obtained from the Board of Directors' of ATP on 13 December 2018.

In addition to that, the removal of IP-related items from Dreamzone as well as modification works to transform Dreamzone into Trick 'O' Thrill Zone has been carried out for the following cost:

Items	Cost (RM)
Mega Drop	196,388.40
Dream Theatre	137,453.00
Metrocity Diner	109,828.80
Casper	175,000.00
Peabody & Sherman	191,605.00
Croods Crazy Chase and Croods Caveteria	50,000.00
Total Cost	860,275.20

Ratification from the Board of Directors' for the cost incurred on the removal and modification works has been sought and approved accordingly on 23 November 2018.

5. CONCLUSION

From the review conducted, the conclusions were as follows:

- i. The possibilities of any misconduct of fraudulent acts that may had occurred during the construction and development of MAPS could not be established.

From the review, due to limited information and inability to access the main contractor's accounts and records has caused Internal Audit to be unable to establish whether there was any fraudulent acts or misconducts occurred during the course of construction and development of MAPS.

Internal Audit is of the opinion that the review on SDGM's accounts and records is vital as it will help to determine the outflow of cash from SDGM especially when there were complaints by subcontractors claiming that SDGM failed to pay them accordingly even though payment has been made to SDGM through the certified progress claim. This has led to problems such as delays to the project, as well as advances to and payment on behalf of SDGM has to be made and paid by ATP.

- ii. SDGM has failed to deliver and complete the proposed construction and development of MAPS as per the requirements in the turnkey contract, supplementary contract no. 1 and supplementary contract no. 2.

From the review, it was obvious that SDGM has failed to deliver and complete the proposed construction and development of MAPS as per the contracts entered between ATP and SDGM. This has left ATP to be unable to open up the park as scheduled and incur various additional cost such as extension fees to Dreamworks for failure to open up Dreamzone, extension fees for the service of QS1, and others.

This failure has also caused ATP to be unable to fully utilize the rides and attractions as there were a number of rides and attraction failed to be fully delivered by SDGM such as Cartoon Factory, Wormhole, Adventures Cartoon Series and International Cultural Celebration.

- iii. The plan to have enhancement works on the park even before the completion of the required works on the turnkey contract and prior to the opening of the park has raised question on the planning and designed of the turnkey contract itself.

The enhancement works was initiated through the signing of supplementary contract no. 1 and 2. However, due to the fact that the signing was made prior to the completion of the works as per the turnkey contract, and prior to the opening of the park raised questions whether the development of the park's contents as per the turnkey was properly planned and designed.

On top of that, additional cost has to be incurred during for the enhancement works especially on those rides and attractions that has been omitted and carried forward to the supplementary contracts.

- iv. The possibility that SDGM has failed to properly pay its subcontractors caused ATP to make various payment on behalf of SDGM.

Due to there was a possibility that SDGM has failed to properly pay its subcontractors (as claimed by subcontractors) during the course of construction and development of MAPS, has caused ATP to bear additional commitment by making payment on behalf of SDGM to settle of outstanding amount owed by them to the subcontractors.

On top of that, in order to prevent further delays to the project, ATP has to make payment on behalf of SDGM to its subcontractors prior to certification of works by quantity surveyor and subsequently has to bear the cost as the payment made was more that the value of works certified.

Apart from that, the issuance of various LOU to subcontractors has put ATP at risk as there were no mechanism to check and confirm that amount claimed as outstanding as per the LOU were not been paid by SDGM in the first place.

The root cause of the failure by SDGM to properly pay its subcontractors could not be established by Internal Audit.

- v. Loss on investment due to termination of license agreement with Dreamworks.

Due to failure to reach an agreement with Dreamworks for the opening of Dreamzone, ATP has decided to terminate the license agreement with Dreamworks and it has caused substantial loss on investment for ATP.

6. ACKNOWLEDGEMENT

Internal Audit records its appreciation to all departments involved for their cooperation and the assistance extended to the audit team during the course of the audit review.



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Head, Internal Audit
Perak Corporation Berhad

