



# Baker Tilly Transparency Report

31 December 2022

# CONTENTS



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Message from the Group Managing Partner	01
Message from the Managing Partner, Audit & Assurance	04
Baker Tilly Malaysia FY2022 Audit Quality Performance	05

## **PART A: Legal and Governance Structure**

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Introduction to Baker Tilly Malaysia	07
Legal and Ownership Structure	15
Governance and Leadership Structure	16
About Baker Tilly International	19

## **Part B: Upholding Audit Quality and Managing Risks**

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System of Quality Management	22
Partner Quality Charter	40
Independence	42
Compliance with Relevant Laws and Regulations	45
Risk Management	46

## **Part C: Audit Quality Indicators**

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Audit Partner Workload	48
Auditor Independence	49
Capacity and Competence of the Audit Practice	51
Audit Engagement Supervision	52
Audit Firm's Investment to Uphold Audit Quality	53
Internal and External Monitoring Reviews	55
Appendix	59

## Message from the GROUP MANAGING PARTNER

We are proud to present to you our Transparency Report for the year ended 31 December 2022.

We are now into the third year of what is now a requirement and a reporting norm for Malaysian audit firms with more than 50 Public Interest Entity audit clients whose combined market capitalisation is above RM10 billion. The requirement for transparency from audit firms is a continued emphasis by the regulators on the responsibilities and roles that auditors play in providing assurance to stakeholders and underscores the importance of our role as gatekeepers in the corporate governance ecosystem.

In 2022, two years after the Covid-19 pandemic hit our shores, countries around the world were able to start returning to some form of normalcy. However, it was clear that the pandemic had transformed certain aspects of our life and work culture, and that we were now facing challenges of a new version of "normal", notably in the area of work-life integration and the usage of technology.

The adoption of technology, which took a huge leap during the pandemic, means that we are now more mobile than ever before. This has also increased our multitasking abilities, translating to a greater demand for speed. Therefore, at Baker Tilly, despite inflationary pressures and escalating costs of doing business, we have continued to invest substantially in digitalisation and automation to not only ensure that we are able to keep pace with the speed at which information is transmitted, but also to increase workflow efficiency to better serve the evolving demands and expectations of both the regulators and our clients.

Our talents continue to be our greatest asset, and so, as part of our commitment to quality, we have continued to invest in the growth of our people, ensuring that they are equipped with the knowledge and skillsets necessary for the delivery to high-quality work. In line with the newfound mobility that has permeated many aspects of our lives, we have also innovated the way our people continue to learn and grow by giving them the flexibility to learn and upskill either through our structured on-demand online learning platform, or via the traditional face-to-face learning method.

Despite the prevailing cautious economic outlook, we are confident that the investments we have made are in the right direction and gives us the edge to support our clients through their journey of recovery in the post-pandemic landscape and being part of the Baker Tilly International network of firms, with 40,000 over professionals spanning across 145 territories globally, provides us with the framework and support to do this.

As you go through this Report, we hope that it will provide you with a greater understanding of the audit profession, as well as an appreciation for the efforts and resources involved in the provision of high-quality audits that will stand the test of time.

**Andrew Heng**

**Andrew Heng**  
Group Managing Partner

## Message from the MANAGING PARTNER, AUDIT AND ASSURANCE

The past few years have undoubtedly been challenging for economies around the world, and the audit fraternity was no exception. The expectation to continue delivering high quality audits under unprecedented circumstances have required auditors to adapt quickly to new ways of working and collaborating, whilst still maintaining the confidentiality and integrity of data. Although this required significant allocation of resources as we invest in technology and automation, it is a positive long-term move. As a firm, we also believe in the need to continuously evolve, innovate and improve ourselves in order to remain current and relevant.

In addition to this, years 2021 and 2022 witnessed an exodus of talents from the workplace, which we now refer to as “great resignation”. This exacerbated the war for talents, further straining available resources. Although this has tapered down in year 2023, it has inadvertently increased the cost of doing business and created gaps that now have to be filled.

Despite these challenges, we have remained steadfast and unwavering in our commitment to quality.

As of December 2022, audit firms are now required to adopt International Standard on Quality Management 1 (“ISQM 1”), which replaced the current International Standard on Quality Control 1 (“ISQC 1”). It places the onus on the firm’s management to create a quality management ecosystem for the performance of audits or review of financial statements. This is a proactive approach to quality, requiring firms to continuously identify and review potential independence and quality risks. This is another step towards self-governance of audit firms.

Baker Tilly Malaysia continues to be committed to uphold the integrity and quality of our audit through a robust system of checks and balances, policies and procedures, and monitoring and review processes. This commitment, together with the access to our international network of professionals who are equipped with knowledge and experience that we can tap into, allows us to provide the best level of professional service expected of us.

We hope that this Report will be able to provide insights of how our values and integrity as a professional firm are supported by our practices and attitudes toward our clients.

**Dato’ Lock Peng Kuan**

**Dato’ Lock Peng Kuan**  
Managing Partner,  
Audit and Assurance

# Baker Tilly Malaysia

## FY2022 AUDIT QUALITY PERFORMANCE

### Audit Partner Workload

All Audit Partners | PIE Audit Partners

**4** PIEs



**7** PIEs

**48** Entities Related to PIEs



**83** Entities Related to PIEs

**192** Non-PIEs



**162** Non-PIEs

### Staff Turnover Rate



### Audit Personnel Composition



Partners

**19**



Managerial Staff

**59**



Non-Managerial Staff

**271**

### Audit Engagement Supervision



Partner to Staff Ratio

**1:17**



Manager to Staff Ratio

**1:5**

### Auditor Independence

Proportion of Fee Income Derived from Audit Clients



**78%**

Statutory Audit Fees



**5%**

Other Assurance Services



**17%**

Services Provided by Non-Audit Practices

### Firm's Investment to Promote Audit Quality

Average actual training hours attended by audit personnel



Partners

**87**

hours



Managerial Staff

**59**

hours



Non-Managerial Staff

**53**

hours

### Years of Audit Experience



Partners **23** years



Managerial Staff **10** years



Non-Managerial Staff **2** years

Proportion of Fee Income Between the Audit Practice & Non-Audit Practice



**59%**

Audit Practice



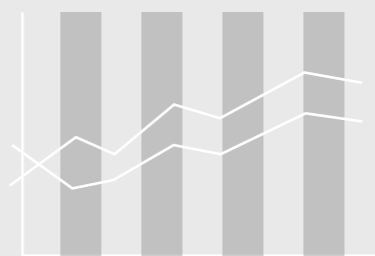
**41%**

Non-Audit Practice

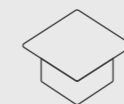
Ratio of One Quality Management Personnel to Audit Personnel



**1:29**



### Audit Personnel's Professional Qualification



**65** staff

With professional qualifications and/or MIA membership



**159** staff

Pursuing professional qualifications and/or MIA membership<sup>N1</sup>



**125** staff

Without professional qualifications and/or MIA membership<sup>N2</sup>

<sup>N1</sup> Pursuing professional qualifications and/or MIA membership

Completed their professional examinations but have not obtained professional membership and those pursuing their professional examinations.

<sup>N2</sup> Without professional qualifications and/or MIA membership

All 125 audit personnel have completed their tertiary education, of which, 47 have passed their final examinations as specified in Part I of the First Schedule of the Accountants Act, 1967 and are eligible to apply for MIA membership once they have gained relevant work experience in the Firm.

**PART A:**  
Introduction to Baker Tilly Malaysia



## Introduction to **BAKER TILLY MALAYSIA**

**Baker Tilly Malaysia** ranks among the largest accounting and business advisory firms in Malaysia with offices in Kuala Lumpur (Headquarters), Seremban, Batu Pahat, Johor Bahru, Penang, Labuan and Kota Kinabalu, as well as an office in Phnom Penh, Cambodia.

With **45 years** of experience in Malaysia and a vast network of professionals and specialists spanning across **145 territories** in the world through Baker Tilly International, our firm is well-equipped to provide audit and assurance, tax, corporate advisory and global business solutions services to a diverse range of clients, including multinational corporations, publicly listed corporations, organisations in the public sector, small and medium-sized corporations, owner-managed businesses, private individuals, and entrepreneurs, across most industries.

At our core, we are passionate about helping our clients achieve their goals by providing proactive, genuine, and meaningful services. Our approach is client-focused and Partner-led, ensuring that every engagement receives the attention and expertise required to deliver customised solutions that meet our clients' needs. We are also supported by both in-house and international specialist technical teams, enabling us to deliver high-quality and timely services.

Our success is built on the relationships we develop with our clients, which are grounded in trust, integrity, and accountability. We take pride in our ability to convert our clients' ambitions into reality, and we strive to be a trusted partner that our clients can rely on for years to come.

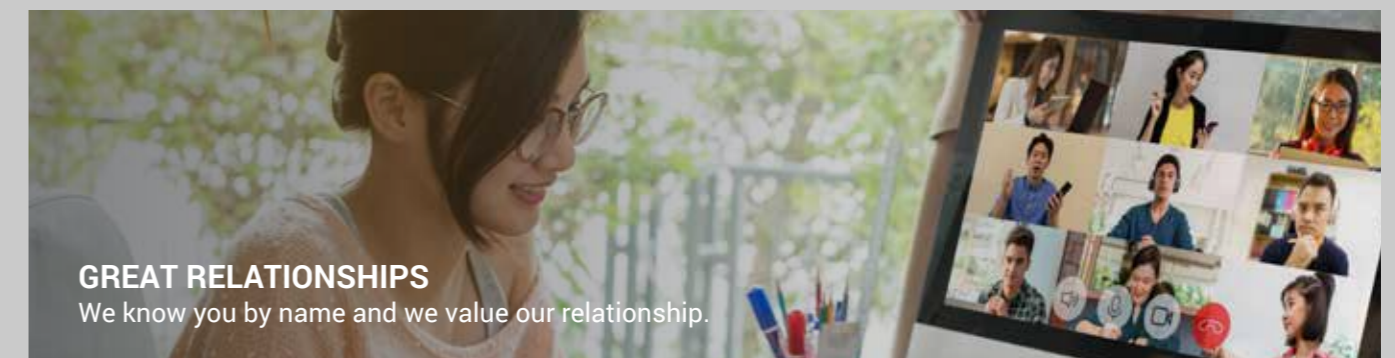
## Our Purpose

### Now, for tomorrow

At Baker Tilly, our philosophy is to ready ourselves now, for tomorrow's challenges. Complacency is not an option. We believe in the synergies from building great relationships and having great conversations, which ultimately lead to success and a great future.

## Our Brand Pillars

At Baker Tilly, we believe in the power of great relationships, great conversations and great futures. They represent what we stand for and what we achieve.



## Our Core Values and Culture

### Core Values

At our core, we understand the need for a strong set of values to undergird how we would make decisions and how we do business.



#### Integrity

Integrity is the bedrock of our standing in the professional community, guiding our decision-making process, fostering an environment of trust and credibility. We believe in not just advocating its importance, but also in exemplifying this value in all our professional and business relationships.



#### Quality

We continue to ensure and maintain the quality in everything that we do from all aspects, across all business functions, through all our engagements with our stakeholders. It is the foundation upon which our professional reputation stands.



#### Talent

We believe in providing everyone with the environment and opportunity to grow and excel. We are therefore committed to identifying and investing in our people, honing their talents to become well-rounded individuals thriving at a workplace where people and their ideas are truly valued.

### Our Culture

While our values guide our decision-making, our culture is the heartbeat that guides the way we do things at Baker Tilly.



#### Family

At Baker Tilly, we see ourselves as one big family. This is the glue that binds us all together. At all times, we support each other through challenges and celebrate each other's successes and achievements together. Like a family, every member is important.



#### Entrepreneurship

As a Baker Tilly family, we take ownership of our road to success. We are always coming up with innovative ideas on how to do things more effectively and efficiently, adopting an entrepreneurship mindset, focused on growing our own business.



#### Humility

Baker Tilly started its journey 45 years ago with very humble beginnings. Although we have grown to be a force to be reckoned with, we believe in keeping ourselves humble and remembering our roots. Adopting a humble mindset allows us to be willing to listen and learn, and enables us to be open to new ideas and continuously improve ourselves.

## Our Services

Baker Tilly provides a full range of professional services to help businesses with their regulatory and statutory compliance, as well as shaping the future of their businesses.

### Audit & Assurance

The financial reporting environment has changed significantly in the last decade, and many businesses are still grappling with the new concepts and requirements brought upon by the requirements of accounting standards. Our dedicated Partner-led Quality Assurance & Technical Department, as well as our access to a globally-applied methodology, audit technology platform and network of technical teams around the world, allow us to be at the forefront of all these latest changes affecting different industries.

Our risk-based audit methodology allows us to thoroughly understand our clients' business nature, their key business risks, operations and financial processes. This understanding is the foundation for a highly effective audit that gives stakeholders confidence and trust in the integrity of our clients' financial statements.

Our Audit & Assurance services include:

- Statutory financial statements audit
- Reporting accountants & Initial Public Offerings
- Capital markets transaction reporting
- Internal audit & risk advisory
  - Environmental, social, governance (ESG) reporting
  - Internal Control Review
- Integrated reporting
- Accounting advisory services
- Other services – special audits, limited reviews, agreed upon procedures, scrutineers

### Taxation

Taxation liabilities are a significant cash-outflow for taxpayers. Its importance and impact cannot be overstated. An effective tax strategy is therefore imperative for every individual and organisation, and must cover the entire spectrum of tax efficiency planning as well as ensuring compliance with relevant tax laws.

To be on top of things requires an in-depth understanding of the constantly-evolving tax laws and regulations, both internationally and domestically. Most individuals and organisations generally find it challenging to navigate through the minefield of 'tax-traps' and pitfalls.

At Baker Tilly, our experienced tax advisors help give our clients the peace of mind knowing that they have fulfilled their tax obligations and have structured their businesses properly to avail themselves of tax opportunities, thus allowing them to focus on growing their business.

We are the experts, and this is our job.

Our Taxation services include:

- Tax compliance for individuals, unincorporated businesses, partnerships, companies, trust, etc.
- Individual, corporate & business tax advisory
- Tax audit, investigations & dispute resolution
- International tax structuring & planning
- Transfer pricing documentation and defence, including dispute resolution
- Capital allowances studies & planning
- Tax incentives planning & applications
- Customs duties, Sales and Service Tax planning and advisory





### Corporate Recovery & Restructuring

Our Corporate Recovery & Restructuring experts have been at the forefront for many years in supporting our clients in dynamic and constantly changing business environments.

Our highly-skilled, commercially savvy and responsive team assists clients to progress forward seamlessly by identifying their challenges, formulating solutions and creating opportunities to maximise returns and minimise risks as well as losses. We provide practical support and advice to directors, shareholders, advisors and companies of all sizes. Serving creditors, debtors and other parties-in-interest in liquidation or financially distressed companies, we bring a widespread understanding of the complexities involved in corporate recovery to every assignment.

### Forensic & Litigation Support

More often than not, businesses are weighed down by dishonest practices in its operations. Business frauds are no longer uncommon in this day and age - it is easy for even a layperson who is not financially savvy to be involved in fraud when given an opportunity.

At Baker Tilly, our forensic experts work hand in hand with legal counsels to assist our clients. We provide overarching financial analysis in the area of dispute, litigation and non-litigation situations. One of our areas of expertise is the delivery of commercial solutions and recommendations to our clients, which emanates from sound and compelling financial information. From evidence analysis and independent trial expert witness reports, our experts offer sound and practical solutions to further enhance the clarity and effectiveness to our clients.

Our Corporate Recovery & Restructuring services include:

- Turnaround and restructuring
- Strategic advice to lenders and borrowers
- Reviews and monitoring
- Services related to insolvency appointments
- Scheme of arrangements and reconstructions
- Corporate voluntary arrangement and judicial management
- Non-Performing Loan Portfolio Reviews and Due Diligence Buyside/Sellside advice

Our Forensics & Litigation Support services include:

- Financial and accounting evidence advice
- Corporate investigations
- Court Appointed Valuations
- Assessment of damages
- E-Discovery and online evidence review
- Expert Witness Reports

### Corporate Advisory

The ability to make sound and timely decisions for businesses is determined by having the right information at the right time. In the past, our dedicated corporate advisory and finance experts have achieved various successful outcomes in dealing with all types of stakeholders and challenging business environments. We are also licensed by the Securities Commission Malaysia to advise on all types of corporate finance and advisory services, including corporate exercises by publicly listed entities in Malaysia.

### Global Business Solutions

Business climates are rapidly changing as the world moves towards embracing new technologies. The fine line between the physical and virtual worlds continues to blur, and businesses pick up on the trend to move towards digitalise and automated operations. Following this, we can expect stricter regulatory controls to spring up in the future, to monitor and control the development of businesses. The eventual outcome? Businesses will have to spend more time in understanding and addressing the ever-evolving and complex business requirements.

We understand how valuable resources are to businesses in terms of time, human capability and money. We provide optimised business process solutions and services so businesses can focus on developing their core competency to thrive in this dynamic business environment.

### Technology Consulting

We understand the transformational power of technology in helping companies push through to the next level. Our specialists have successfully completed a number of mission critical projects for clients. We are registered with Malaysian Communications and Multimedia Commission under the Digital Signature Act 1997 and Digital Signature Regulations 1998 and a licensed WebTrust Practitioner firm with Chartered Professional Accountants of Canada.

Our Corporate Advisory services include:

- Mergers and acquisitions
- Business valuation
- Financial due diligence
- Financial modelling
- Feasibility studies and investment appraisal
- Purchase price allocation
- Fairness Opinions
- Independent Advisory for proposed Related Party Transactions
- ESOS Valuations

Our Global Business Solutions services include:

- Finance, accounting and administrative services
- Finance and accounting on-site outsourcing services
- HR Administrative and payroll management services
- Support services for start-ups and Small Medium Enterprises (SMEs)
- Setting up and support for shared services centre
- Compliance of Section 17A of the MACC Act
- Preparation of Sustainability Report and Corporate Governance Report
- Setting up and testing of Business Continuity Plan
- Financial-related training
- Global employment services

Our Technology Consulting Services include:

- Digital Trust Services
- Cybersecurity
- Forensic Technology
- Technology Due Diligence and Audit
- System and Organisation Controls (SOC) Reporting and WebTrust
- Regulatory Compliance
- Digital Banking

## Legal and Ownership Structure

Baker Tilly Malaysia comprises a network of independent firms and entities, currently operating in Kuala Lumpur, Penang, Johor Bahru, Seremban, Batu Pahat, Labuan and Kota Kinabalu, as well as an office in Phnom Penh, Cambodia. Firms and entities that are part of the Baker Tilly Malaysia Network are separate independent legal entities.

No.	Entity	Firm or Company Number	Legal Structure	Principal Activities
1	Baker Tilly Monteiro Heng PLT	AF0117 (LLP0019411-LCA) (201906000600)	Limited Liability Partnership	Audit & Assurance
2	Ferrier Hodgson Monteiro & Heng	AF1520	Sole Proprietorship	Audit & Assurance (Dormant)
3	Baker Tilly MH PLT	AF002212 (LLP0010720-LCA) (201706000594)	Limited Liability Partnership	Audit & Assurance (Dormant)
4	Baker Tilly Monteiro Heng Tax Services Sdn Bhd	198501002811 (135253-M)	Private Limited Company	Tax Advisory & Consultancy
5	Ferrier Hodgson MH Sdn Bhd	199801003667 (459793-W)	Private Limited Company	Insolvency & Advisory
6	FHMH Corporate Advisory Sdn Bhd	200701016946 (774955-D)	Private Limited Company	Advisory & Consultancy
7	Baker Tilly MH Advisory Sdn Bhd	201601028011 (1198950-T)	Private Limited Company	Advisory & Consultancy
8	Baker Tilly Monteiro Heng Governance Sdn Bhd	199501022568 (351771-X)	Private Limited Company	Internal Audit & Risk Advisory
9	Baker Tilly GBS Sdn Bhd	201901029336 (1338665-D)	Private Limited Company	Global Business Solutions
10	Baker Tilly Insolvency PLT	NF2323 (LLP0028871-LCA) (202106000020)	Limited Liability Partnership	Insolvency & Advisory
11	BTMH Academy Sdn Bhd	202201027310 (1473007-X)	Private Limited Company	Training & Consultancy
12	*Baker Tilly (Cambodia) Co., Ltd.	C-00023 (00000157)	Private Limited Company	Audit & Assurance, Tax & Financial Advisory Services
13	*Baker Tilly HYT	AF0218	Conventional Partnership	Audit & Assurance
14	*Baker Tilly MH (Penang) Sdn Bhd	199201008327 (239830-X)	Private Limited Company	Tax Consulting & Other Management Services
15	*Baker Tilly MH Consulting Sdn Bhd	201301038969 (1068792-P)	Private Limited Company	IT Audit
16	*Baker Tilly LSC PLT (formerly known as Lim Su Chong & Co.)	AF1435	Limited Liability Partnership	Audit & Assurance
17	*Baker Tilly LSC Tax Services Sdn Bhd	200601035886 (0755645-D)	Private Limited Company	Tax Advisory & Consultancy

\* Baker Tilly Malaysia Network member

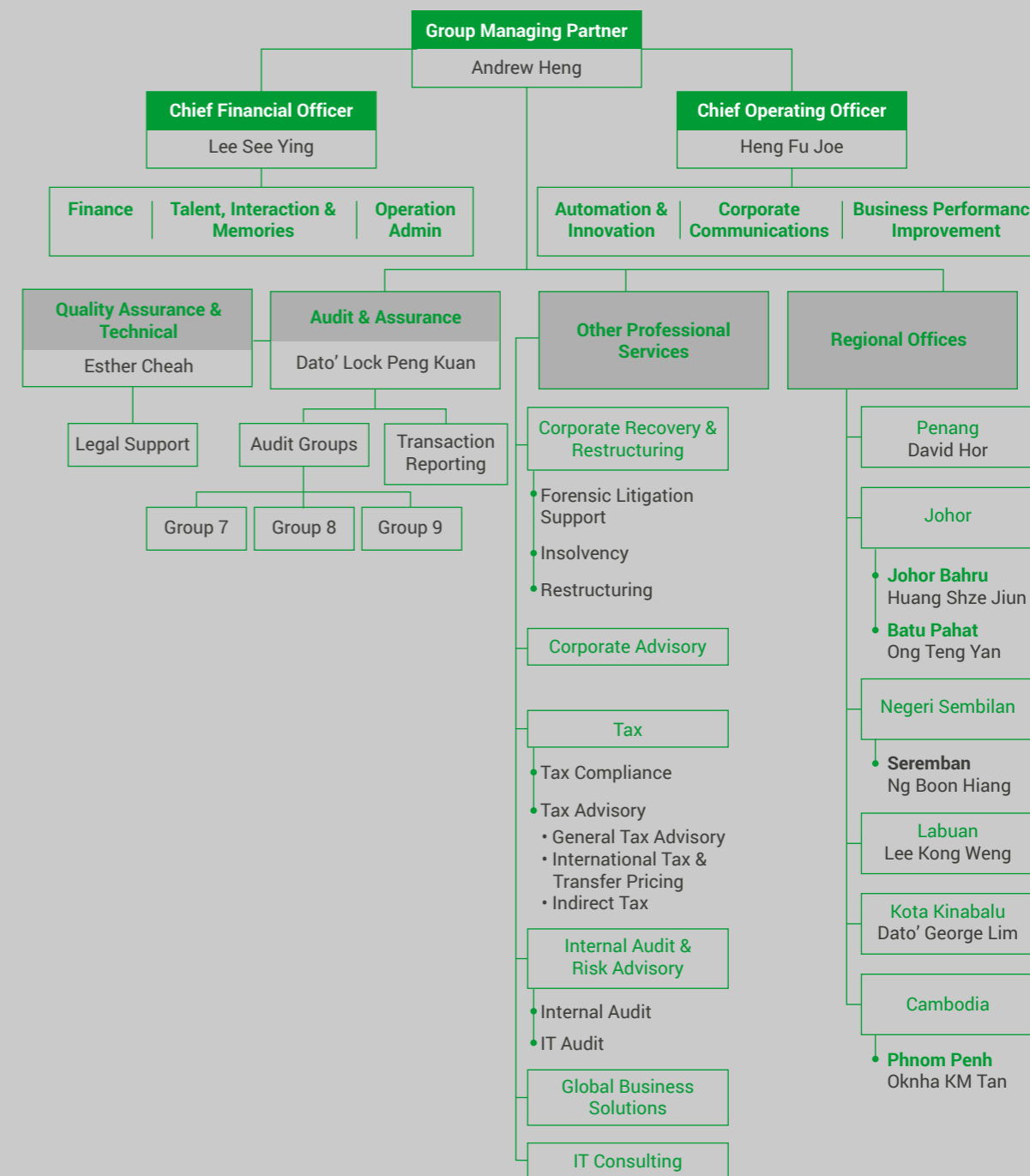
Except for entities that are Baker Tilly Malaysia Network members, the above entities are controlled by the Partners of Baker Tilly Malaysia. Four Partners hold more than 10% equity shares in the partnership, of which three hold between 11% to 20% and one holds between 51% to 60%.

The Founder, Dato' Heng Ji Keng, is the father of both the Group Managing Partner, Mr. Andrew Heng and Chief Operating Officer, Mr. Heng Fu Joe.

## Governance and Leadership Structure

Our governance structure is founded on shared values and culture.

Baker Tilly Malaysia is led by the Group Managing Partner, Andrew Heng, supported by the Managing Partners, Partners and Directors of the various business divisions and offices.





The  
Leadership Team

**Patrick McPhee**  
Managing Partner  
*Corporate Recovery  
& Restructuring*

**Anand Chelliah**  
Managing Partner  
*Tax*

**Joe Heng**  
Chief Operating Officer

**Andrew Heng**  
Group Managing Partner

**Lee See Ying**  
Chief Financial Officer

**Dato' Lock Peng Kuan**  
Managing Partner  
*Audit & Assurance*

## About Baker Tilly International



Baker Tilly Malaysia is an independent member of Baker Tilly International, one of the largest global accountancy and business advisory network spanning across 145 territories with about 41,234 professionals working in 703 offices across the globe.

As an independent member of Baker Tilly International, we have significant global reach in addition to our substantial national presence. We collaborate with other member firms to leverage our skills, resources and local expertise to help our clients grow locally, nationally and globally.

### Legal Structure

Baker Tilly International Limited (Baker Tilly International) is a private company limited by guarantee, incorporated in England and Wales. It is owned by its members, all of whom hold an equal interest in the legal entity. Client services are delivered by Baker Tilly members, each of which is a locally owned and managed independent firm. Each governs itself and handles its administrative matters locally and is responsible for its own liabilities.

The rights and obligations of Baker Tilly member firms are set out in the By-laws and Articles of Association and included in the individual member firm agreements that each firm signs before joining Baker Tilly International. The network is governed by the Board of Directors, supported by a Global Office team.

To facilitate communication, co-ordination of actions and the sharing of best practice, Baker Tilly International is divided into four regions: EMEA (Europe, Middle East and Africa), Asia Pacific, North America and Latin America, each supported by a regional advisory council.

Baker Tilly International and its member firms collectively are referred to as Baker Tilly.

# Baker Tilly International ranked as 9th largest accounting network in the world

IAB World Survey 2023

## Baker Tilly International global results 2022



**41,234**  
People



**3,239**  
Partners



**703**  
Offices



**\$4.7bn**  
2022 worldwide revenue (US\$)



**145**  
Territories



**23.5%**  
Female partners



Despite it being a year of unprecedented macro political and economic volatility, all of our regions and our services lines have grown in revenues and perhaps more importantly the scale of their ambitions. These plans for expansion will continue. All of us look forward to another successful year in 2023 knowing that our blend of global reach and local understanding and our clear focus on offering clients a broad multi-disciplinary service will stand us in good stead.

**Francesca Lagerberg**  
Chief Executive Officer



## Regional Growth in 2022

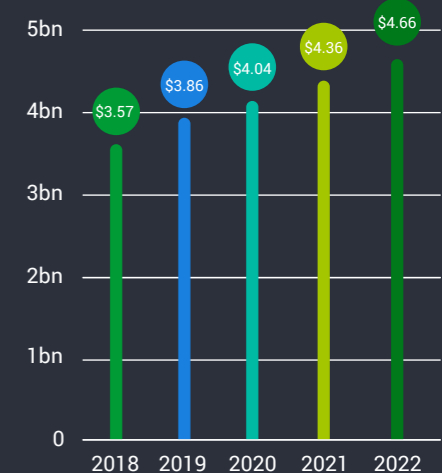
**10%**  
Asia Pacific

**10%**  
EMEA

**23%**  
Latin America

**16%**  
North America

## Global revenues in US\$



## PART B: Upholding Audit Quality and Managing Risks



## System of Quality Management

Audit quality is the foundation upon which our professional reputation is built and is the core ingredient for maintaining stakeholder trust. We believe that delivering the highest standards of quality is fundamental to our work.

In September 2020, the International Auditing and Assurance Standards Board (“IAASB”) approved a suite of three new quality management standards that included significant changes to the way audit firms manage quality. The standards comprise of:

International Standard on Quality Management (“ISQM”) 1  
*Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*

ISQM 1 replaced the International Standard on Quality Control 1 (“ISQC 1”) and introduced a new requirement for firm to proactively identify and respond to risks.

Other key changes include new requirements to address the need for information and communication, technological and intellectual resources, the use of external service providers and monitoring and remediation process to enable the operation of the system of quality management and performance of engagements.

ISQM 2 *Engagement Quality Reviews*

This new ISQM 2 deals with the appointment and eligibility of the engagement quality reviewer and the engagement quality reviewer’s responsibilities relating to the performance and documentation of an engagement quality review.

International Standard on Auditing (“ISA”) 220 (Revised)  
*Quality Management for an Audit of Financial Statements*

ISA 220 (Revised) deals with the engagement partner and engagement team’s responsibilities for quality management for an audit of financial statements. The revised standard modernises the approach to quality management and requires the engagement partner and engagement team to be proactive in managing and achieving quality.

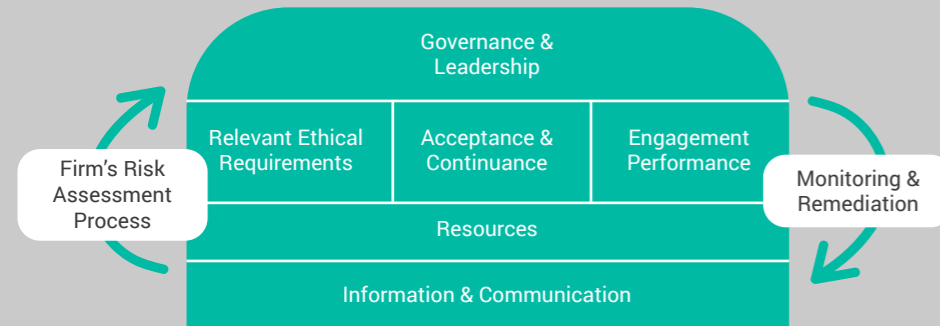
At the date of issuance of Baker Tilly Malaysia’s Transparency Report 2022, the Firm has adopted the new system of quality management which is encapsulated in our Baker Tilly Malaysia’s Quality Management Manual. This new system of quality management is the mechanism which creates an environment and internal culture that enables and supports engagement teams in performing quality engagements, i.e., to deliver independent and unbiased opinions in accordance with the professional standards and applicable legal & regulatory requirements in Malaysia. Our Quality Management Manual is regularly updated to ensure compliance with the requirements set out in the quality management standards.



We believe that the implementation of these new quality management standards will be useful for enhancing quality both at the Firm and engagement level because an effective system of quality management is foundational to achieving consistent engagement quality.



The Baker Tilly Malaysia's Quality Management Manual specifically addresses the following eight components:



**The Firm's Risk Assessment Process**

The foundation of ISQM 1 and a key change from ISQC 1, is that the Firm needs to follow a risk-based approach to quality management, which focuses the Firm on the risks that may arise, given the nature and circumstances of the Firm and the engagements it performs, and implementing responses to appropriately address those risks.

The Firm applies the following steps in performing the risk assessment process:



**Establish Quality Objectives**

The Firm establishes the quality objectives for the various components specified by ISQM 1 and considers if additional quality objectives are required to be established based on internal and external information, including results from the monitoring and remediation process.

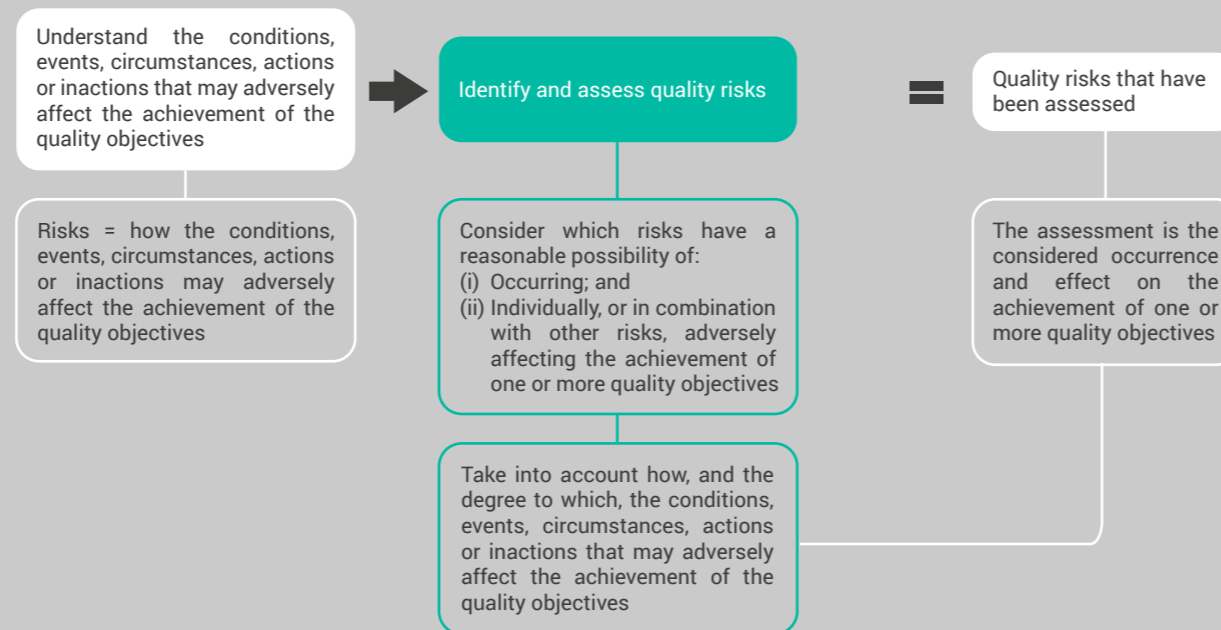
The quality objectives across the components are interrelated. The quality objectives in each component aid the Firm in properly identifying and assessing quality risks because the quality objectives focus the Firm more specifically on what needs to be achieved and what could go wrong in achieving the quality objectives.

**Identify and Assess Quality Risks**

Quality risk is a risk that has a reasonable possibility of occurring individually, or in combination with other risks, adversely affecting the achievement of one or more quality objectives. However, it is not reasonable or practicable for the Firm to identify and assess every possible risk. The Firm focuses on risks that have the greatest impact on achieving the quality objectives.

In identifying and assessing quality risks, the Firm focuses on what could go wrong in achieving the quality objectives and hence designs and implements responses that are effective in addressing the quality risks. This process also helps the Firm uses the resources more efficiently and effectively when addressing and improving quality.

In identifying and assessing quality risks, the Firm performs the following:



**Design and Implement Responses**

The Firm designs and implements responses to address the quality risk in a manner that is based on and is responsive to, the reasons for the assessments given to the quality risks. The responses include the responses as specified in paragraph 34 of ISQM 1 for the policies and procedures required to be established by the Firm relating to threats to compliance with the relevant ethical requirements, annual declaration independence requirements, complains and allegations, acceptance and continuance of client relationship, communication with those charged with governance and external parties and engagement quality review.

**Identify Information Indicating Need to Add/ Modify Quality Objectives, Quality Risks or Responses**

The process of establishing quality objectives, identifying and assessing quality risks and designing and implementing responses, is iterative and evolving. Additional quality objectives, quality risks or responses are needed due to changes in the nature and circumstances of the Firm or its engagements. The Firm uses information generated through the information and communication component, which may originate from internal and external sources, as well as deficiencies that are identified from the monitoring and remediation process in performing the risk assessment process.

**Governance and Leadership**

**Tone at the top**

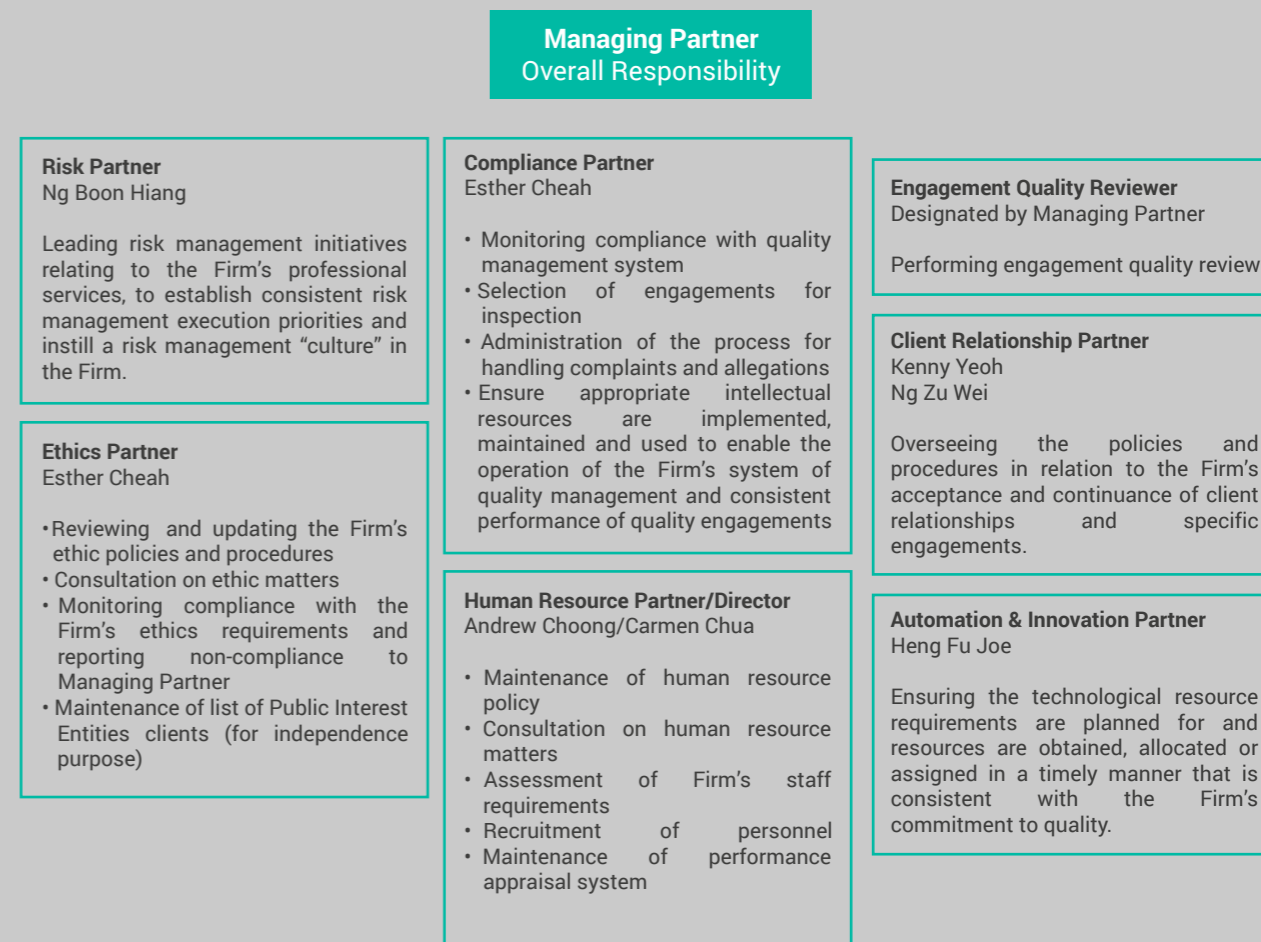
The Firm recognises that governance and leadership is of paramount importance to quality management at the Firm and engagement level. Therefore, the Firm's culture is an important factor in influencing the behaviour of its personnel. The Firm's partners accept responsibility for leading and promoting quality assurance and continuous improvement culture within the Firm through the Firm's Partner Quality Charter. This tone from the top sits at the core of the audit quality framework and ensures that the right behaviour permeates across the entire Firm.

The Managing Partner assumes the ultimate responsibility for the Firm's overall quality management system and delegates the operational responsibilities for the system of quality management to other partners and directors within the Firm. In assigning the roles, the Managing Partner determines that the partners and directors have the appropriate experiences, knowledge, influences and authorities within the Firm, sufficient time to fulfil their assigned responsibilities, understand their assigned roles and that they are accountable for fulfilling them.

Annually, the Managing Partner reviews and approves the established structure, reporting lines and allocation of appropriate accountabilities.



The leadership roles and responsibilities for the system of quality management are as follows:



The partners and directors assigned responsibility and accountability for the system of quality management will evaluate, on behalf of the Firm, the system of quality management. The evaluation will be undertaken at a point in time and performed at least annually.

The Firm undertakes periodic performance evaluations on (i) Managing Partner who holds ultimate responsibility and accountability for the system of quality management and, (ii) the partners and directors assigned operational responsibility for the system of quality management, by taking into consideration the results of the Firm's monitoring activities for aspects of the system of quality management, the actions taken in respect of identified deficiencies, including the timeliness and effectiveness of such actions.

## Relevant Ethical Requirements

The Firm observes the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants (“MIA”), which establishes the fundamental principles of professional ethics as follows:



The fundamental principles of professional ethics establish the standard of behaviour expected of the personnel within the Firm and it reflects the profession’s recognition of its public interest responsibility. The Firm’s Ethics Partner is responsible for recommending policies and procedures for establishing, promoting and monitoring ethical conduct amongst all personnel, to the Managing Partner.

The Firm’s policies and procedures on ethical requirements and independence are stipulated in Baker Tilly Malaysia’s Quality Management Manual that is made available to the partners and personnel of the Firm. These are policies established to assist the Firm in complying with the By-Laws (on Professional Ethics, Conduct and Practice) of the MIA which are substantially based on Code of Ethics for Professional Accountants of the International Ethics Standards Board of Accountants (“IESBA”).

These policies and procedures are complemented by consultation and annual ethics refresher training courses provided to all existing partners and personnel, whilst new personnel will be provided with an introductory training upon admittance.

All partners and personnel are required to be aware of, and understand, MIA’s By-Laws (on Professional Ethics, Conduct and Practice) and provide the Firm annually with written confirmation that they understand and have complied with the requirements.

## Independence

Baker Tilly Malaysia places a strong emphasis on offering top-notch professional services with independence. The Firm remains dedicated to investing in initiatives to improve independence and risk management.

Baker Tilly International created an Independence Database to assist all its members comply with independence requirements. Baker Tilly Malaysia is required to maintain information on the Independence Database, which allows the member firms to check for possible conflicts as part of their internal client acceptance procedures.

The engagement partner, in consultation with the Ethics Partner, is responsible for, and must ensure an appropriate resolution of, threats to independence that the engagement team has not adequately resolved or reduced to an acceptable level.

### *Provision of Non-Assurance Services to Audit Clients*

The Firm will identify, evaluate and address any threats to independence that might be created before the Firm accepts an engagement to provide non-assurance service to audit clients. The Firm only provides an audit client with non-assurance services if the services do not involve making managerial decision on behalf of the client. In other circumstances, any threats to independence will be evaluated and safeguards will be applied when necessary to reduce the threats to an acceptable level in accordance with the principles set out in MIA’s By-Laws (on Professional Ethics, Conduct and Practice).

Additionally, in accordance with the *Revision to MIA By-Laws (on Professional Ethics, Conduct and Practice)* and *International Code of Ethics for Professional Accountants (Including International Independence Standards)*, before accepting a non-assurance service engagement, the engagement team is required to communicate to those charged with governance when the provision of non-assurance service is provided to:

- a public interest entity audit client; or
- an entity that controls, directly or indirectly, that public interest entity; or
- any entity that is controlled directly or indirectly by that public interest entity.

In the event of any acceptance to provide non-assurance service to audit clients, the Firm’s independence will be assessed to identify any potential risks. Appropriate safeguards will be implemented to mitigate any risks to an acceptable level. Any proposed safeguard must be approved by the Ethics Partner.



### Acceptance and Continuance of Client Relationship and Specific Engagements

Rigorous client acceptance and continuance policies are vital to our ability to provide high-quality professional services. The Firm has established policies and procedures to provide reasonable assurance that it identifies and assesses the potential sources of risk associated with a client relationship or a specific engagement.

The Firm accepts a new engagement or continues an existing engagement and client relationship only after the engagement partner/ Client Relationship Partner has considered the factors below:

- the integrity and ethical values of the client has been evaluated and there is no information that will lead to the conclusion that the client neither lack of integrity nor acted unethically;
- the Firm and the engagement team have the necessary competence, including resources and time, to complete the engagement;
- the Firm and its partners and personnel, can comply with relevant ethical requirements of the MIA's By-Laws (on Professional Ethics, Conduct and Practice);
- the Firm's quality management requirements can and have been met; and
- independence and conflict of interest checks have been performed.

Formal approval from engagement partner/ Client Relationship Partner is required prior to the acceptance or continuance of a client relationship and specific engagement. Further approval from the Managing Partner or another partner as determined by the Firm, or both is required for medium or high-risk prospective client.

The Firm has a defined process to be followed when it determines that withdrawal from an engagement is necessary. This process takes into consideration the professional standards and applicable legal and regulatory requirements and any mandatory reporting, which must be undertaken as a result.



### Resources

The resources component expands the consideration of resources beyond that of human resources. The Firm has established quality objectives that address appropriately obtaining, developing, using, maintaining, allocating and assigning resources in a timely manner to enable the design, implementation and operation of the system of quality management.

Resources components include:



#### Human Resources

At Baker Tilly Malaysia, we recognise that the Firm succeeds when its people succeed. Investing in people is fundamental to delivering high quality services and it relies on a combination of technical know-how, sound judgement, efficient working practices, effective teamwork and a continuous dedication to improvement, which is why we take an active approach in the design and development of our #bestplacetowork programmes and initiatives to support our people; from creating the best work environment all the way to the designing of benefits. These are with the purpose of enabling our people to thrive personally and professionally.

The Firm has established policies and procedures to provide it with reasonable assurance that it has sufficient personnel with the competency, capability and commitment to ethical principles necessary to perform its engagements in accordance with professional standards and applicable legal and regulatory requirements and to enable the Firm and engagement partners to issue reports that are appropriate in the circumstances. Through its policies and procedures, the Firm ensures the assignment of appropriate partners and personnel to each engagement.

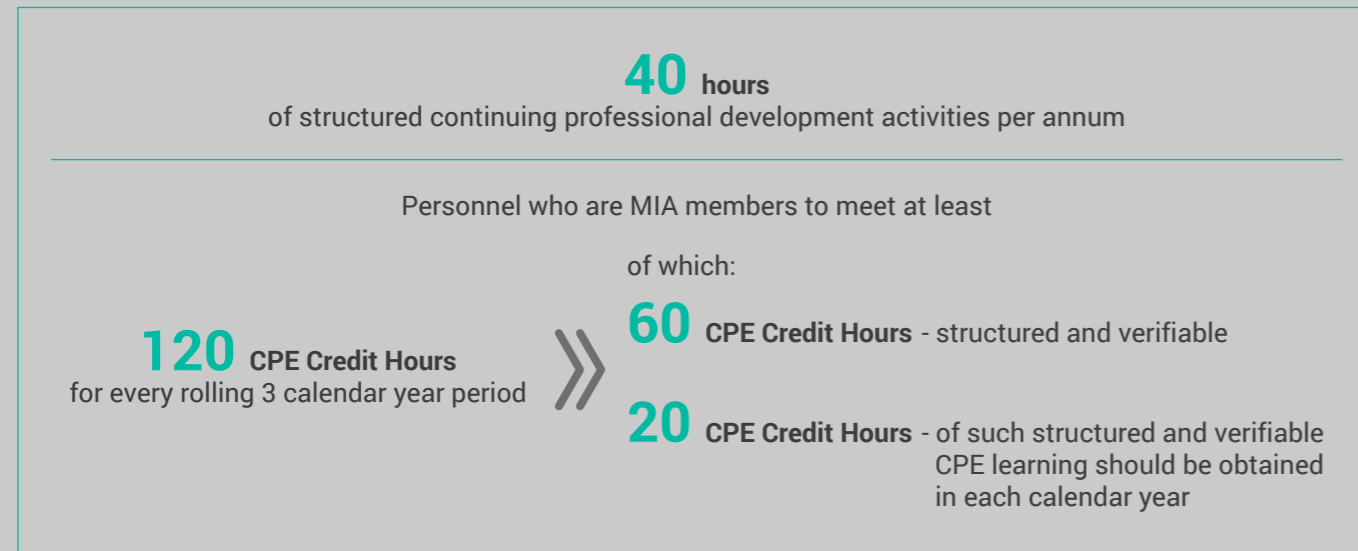
The Talent, Interaction and Memories ("TIM") Department, which handles the Firm's human resources matters is responsible for:

- maintaining human resource policies;
- identifying required policy changes resulting from labour laws and regulations and to remain competitive in the marketplace;
- providing guidance and consultation on matters related to human resource;
- maintaining the performance evaluation appraisal systems;
- recommending specific actions or procedures appropriate to the circumstances (i.e., discipline, recruitment) when necessary;
- maintaining personnel files (including annual declarations of independence, fit and proper and confidentiality and continuing professional development reports); and
- developing and delivering the orientation programme.

The Managing Partner, Human Resource Partner and Director, engagement partners and the TIM Department assess the Firm's professional service requirements annually to ensure that the Firm has the capacity and competency to meet its clients' needs.

## Continuing Professional Development

Baker Tilly Malaysia requires audit professionals to obtain at least:



## Intellectual Resources

Intellectual resources are a critical aspect of quality management and it includes information the Firm uses to enable the operation of the system of quality management and promote consistency in the performance of engagements such as written policies or procedures, audit methodology, industry or subject matter-specific guides, accounting guides, standardised documentation or access to information sources about entities or other information that is typically used in the performance of engagements.

The Firm has established policies and procedures to provide it with reasonable assurance that it has developed, implemented, maintained and used appropriate intellectual resources to enable the operation of the Firm's system of quality management and to support engagement quality, and that such intellectual resources are consistent with professional standards and applicable legal and regulatory requirements, where applicable.

The Firm requires all personnel to be equipped with the necessary and salient intellectual competency as part of personnel's career development to provide support for the Firm's commitment to quality and continued growth. The Firm develops training programmes for all personnel. This covers accounting standards, auditing standards, audit methodology, relevant ethical requirements, applicable legal and regulatory requirements.

## Technological Resources

Baker Tilly Malaysia is committed to enhancing its audit methodologies and tools with a focus on digitalising the audit process. Year 2022 has seen a continued focus building this foundation. The Firm invests continuously in upgrading its technology and improving its processes to ensure the highest level of audit efficiency.

The Firm has established policies and procedures to provide it with reasonable assurance that it has developed, implemented, maintained and used appropriate IT application to enable the operation of the Firm's system of quality management and to support engagement quality. The Firm has also, designed and implemented processes and controls to underpin the reliability of these audit technologies. This includes clarification of the roles and responsibilities of Automation & Innovation ("AI") Partner and personnel.

The AI Partner is responsible to ensure the technological resource requirements are planned for and resources are obtained, allocated or assigned in a timely manner that is consistent with the Firm's commitment to quality.



## Uses of Resources Obtained from Service Providers

A service provider is an individual or organisation external to the Firm that provides a resource (technological, intellectual and human resources) that is used in the system of quality management or in the performance of engagements. Service providers exclude the Firm's network, another network firms or another structures or organisations in the Firm's network. It also includes component auditors from other firms not within the Firm's network and an auditor's external expert (such as valuers and experts) used by the Firm to assist the engagement team in obtaining audit evidence.

In some circumstances, the Firm uses resources that are provided by a service provider, particularly in circumstances when the Firm does not have access to the appropriate resources internally. Notwithstanding that, the Firm recognises that it is responsible for the design, implementation and operation of its own system of quality management, even where it obtains resources such as audit software, training and commercial IT applications provided by service providers which are used in a Firm's system of quality management or to perform audit engagements.

The Firm has established policies and procedures to provide it with reasonable assurance that the human, technological or intellectual resources from service providers are appropriate for use in the Firm's system of quality management and in the performance of engagements.

## Engagement Performance

Through the established policies and procedures of its quality management system, engagements are performed according to professional standards and applicable legal and regulatory requirements. The Firm's overall system is designed to provide reasonable assurance that the Firm, and its partners and personnel, adequately and properly plan, supervise and review engagements and produce engagement reports that are appropriate in the circumstances.

The engagement partner remains responsible for the engagement and its performance, regardless of any delegation that may take place, to perform the work necessary to issue the report. Supervision occurs at various responsibility levels. All engagement works performed by personnel is reviewed by more experienced team members, as may be delegated by the engagement partner, who is ultimately responsible for reviewing the work of the engagement team.

## Audit Methodology

The Firm has adopted Baker Tilly International's audit methodology, Global Focus, to ensure all audit engagements are performed in accordance with professional standards and applicable legal and regulatory requirements. This includes audit work programmes, standardised audit procedures in accordance with the requirements of approved standards on auditing, disclosure checklists, sample working paper templates, sample auditor's report templates, as well as communications and correspondence templates. Global Focus was developed based on the International Standards on Auditing and is compliant with the International Standard of Quality Management. It is our 'audit language' that ensures a common understanding of consistent, high-quality audit approach and procedures across our network.

Global Focus uses intelligent software and risk registers to highlight the areas of highest risk and provides efficient documentation tools for an electronic approach to audit. It facilitates seamless cross-border work and helps assure global consistency and quality. Enhancements to the audit methodology are made regularly to address new standards, anticipate emerging audit issues and matters, implementation experiences, as well as external and internal inspection results.

## Quality Assurance and Technical Department

Audit and assurance practitioners within the Baker Tilly Malaysia group receive support from the Quality Assurance and Technical team in the form of technical advice and training, regulatory requirements updates and quality review.

The Quality Assurance and Technical team responds to on-going challenges faced by engagement teams via the issuance of regular technical consultation paper, regulatory requirements updates, frequently asked questions and explanatory statements. The team engages with various stakeholders and corporations when working on technical issues on a proactive and regular manner.

## Illustrative Directors' Report and Financial Statements

The application of accounting standards in the preparation of financial statements continues to rapidly evolve, with higher level of judgment required for these principle-based standards. Hence, preparing complete and accurate financial statements can be overwhelming. The Quality Assurance and Technical team of the Firm produces and periodically updates the Firm's Illustrative Directors' Report and Financial Statements to guide and assist organisations in the preparation of their financial statements in accordance with the Malaysian Financial Reporting Standards.

This Illustrative Directors' Report and Financial Statements is more than just a financial statements template. It does not only discuss the impact of new standards, pronouncements and regulatory requirements, but also includes references to accounting standards and commentaries to the background and application of various judgmental issues in the preparation of the financial statements.

## Engagement Quality Review

The Firm requires an engagement quality review for:

- (i) Audits of financial statements of listed entities;
- (ii) Audits or other engagements for which an engagement quality review is required by law or regulation; and
- (iii) Audits or other engagements for which the Firm determines that an engagement quality review is an appropriate response to address one or more quality risk(s).

All engagements are assessed against the Firm's established criteria to determine whether an engagement quality reviewer is required. This assessment is made, in the case of a new client relationship, before the engagement is accepted and in the case of a continuing client, during the planning phase of the engagement.

## Consultation Requirements

A consultative environment improves the learning and development process of partners and personnel, and adds strength to the Firm's collective knowledge base, system of quality management and professional capabilities. The Firm encourages consultation among the engagement team members and for significant matters, with others within or outside the Firm.

Engagement partners consult with other partners and personnel who have the appropriate experience, knowledge, competency and authority when faced with any significant, onerous or contentious issue during the engagement.

When external consultation is required, the engagement partner considers the nature of the consultation as well as the qualifications and expertise of the external consultants, when deciding whom to approach.

Engagement Quality Reviewers are experienced professionals with significant subject matter knowledge. They are independent of the engagement team and can provide objective evaluation of significant accounting, auditing and reporting matters.

In certain circumstances, it may be appropriate for the engagement quality reviewer to be assisted by an individual or team of individuals with the relevant expertise. However, the engagement quality reviewer will take overall responsibility for the performance of the engagement quality review.

The engagement quality review spans the entire engagement cycle, including planning, executing and reporting. Policies and procedures for the performance and documentation of engagement quality reviews provide specific guidelines on the nature, timing and extent of the procedures to be performed and the required documentation evidence their completion.

## Audit Engagement Team's Resolution Process for Differences of Professional Opinion

The Firm and its partners and personnel take all steps that are necessary to identify, consider, document and resolve differences of opinion that may arise in a wide range of circumstances. The more common circumstances in practice include:

- Differences of opinion on interpretations and applications of the Malaysian Accounting Standards Board Approved Accounting Standards, International Financial Reporting Standards, approved standards of auditing in Malaysia and International Standards of Auditing;
- Differences of opinion on ethics-related matters and/or the requirements in the MIA's By-Laws (on Professional Ethics, Conduct and Practice);
- Disagreements on the economic substance of a transaction, or series of transactions, or the levels of detail required in the documentation for engagement files; and
- Differences of opinion resulting from the engagement and quality review process.

When differences in opinion arise within the engagement team, with those who were consulted or between the engagement partner and the Engagement Quality Reviewer, the following procedures for resolution is followed:

- Differences of opinion between personnel within the engagement team are discussed with the engagement director/manager, as mediator, and brought to the attention of the engagement partner. If the matter is unresolved or where the engagement director/manager is a party to the difference of opinion, the engagement partner shall act as mediator.
- Differences of opinion between the engagement partner and any other member of the engagement team may be referred to an independent partner, according to the engagement partner's judgement. The engagement partner shall then inform the parties involved of the decision and the reasons behind it.
- Differences of opinion between the engagement partner and the Engagement Quality Reviewer, or between the engagement partner and a consultant, shall be referred to the Managing Partner. If the matter is considered to be significant, the Managing Partner will consult with other partners and inform the parties involved of the Firm's decision.
- Differences of opinion between Managing Partner and the engagement partner and if the matter is considered significant, is brought to the attention of Group Managing Partner.

## Document Retention

Baker Tilly Malaysia's documentation retention policy applies to all engagements and personnel. It is the responsibility of the engagement partner to ensure that the assembly of each final engagement file is completed on a timely basis, which is within 60 days from the date of the engagement report, or earlier if required by law or regulations.

The Firm's policy requires that all engagement documentation be retained for six (6) years from the date of the engagement report, date of the auditor's report, or if later, the date of the group auditor's report, to allow those performing monitoring procedures to evaluate the extent of the Firm's compliance with its quality management system, as well as the requirements by professional standards and applicable legal and regulatory requirements.



**Information and Communication**

Information and communication are pervasive to all components of the system of quality management. Obtaining, generating and communicating information is generally an ongoing process that involves all personnel and encompasses the dissemination of information within the Firm and externally.

There are various parties with whom the Firm communicates and exchanges information, as depicted in the diagram below. The information communicated and the responsibilities of individuals to communicate, differs depending on the role they are undertaking in the context of the Firm’s system of quality management or performance of engagements.



The Firm recognises that effective two-way communication is essential in supporting the operation of system of quality management and performance of engagements. Personnel are encouraged to communicate their views or concerns on quality management matters to appropriate personnel in the Firm. It is the Firm’s objective to establish the culture that recognises and reinforces the responsibility of personnel to exchange information with the Firm and with one another. In order for an effective communication to take place, the Firm has ensured that all the necessary information systems are in place to ensure relevant and reliable information are exchanged within and/ or outside the Firm.

The Firm has established communication channels such as the Firm’s intranet - Baker Tilly Interact and Microsoft Teams, to facilitate communication across the Firm.

The Firm’s partners accept responsibility for leading, promoting and demonstrating their commitment to information sharing through their action and behaviours, as well as building trust through consistent, regular and open communication within the Firm.

**Responsibilities – The Firm**

The Firm always ensure sufficient information is communicated to its personnel and engagement teams and that the nature, timing and extent of the information is sufficient to enable them to understand and carry out their responsibilities relating to performing activities within the system of quality management or engagements.

**Responsibilities - Partners and Personnel**

The Firm has always recognised and reinforced the responsibility of partners and personnel to exchange information with the Firm and with one another by establishing communication channels to facilitate communication across the Firm. The information communicated includes, but is not limited to the following:

- Instances of non-compliance with the independence requirements;
- Information obtained during the performance of an engagement that may have caused the Firm to decline the client relationship or specific engagement had that information been known prior to accepting or continuing the client relationship or specific engagement;
- Communication of information to the engagement quality reviewer;
- Communication of information to individuals providing consultation on difficult and contentious issues identified during the planning or throughout the engagement and differences of opinion within the engagement team or between the engagement team and the engagement quality reviewer or individuals performing activities within the Firm’s system of quality management;
- Communication of matters to component auditors in accordance with the Firm’s policies and procedures, including matters related to quality management at the engagement level;
- Communication of any potential or suspected violations of the Baker Tilly Policy relating to anti-bribery and corruption through an accessible and trusted whistleblowing channel; and
- Communication with predecessor auditor when accepting an engagement that is an audit or review of financial statements

**Communication with External Parties**

The Firm is committed to maintaining an open communication with a range of external parties. To ensure transparency and exchange of valuable and insightful information about the system of quality management, the Firm has implemented policies and procedures aimed at promoting an effective communication with its stakeholders. These measures ensure that all interactions are handled in the most appropriate manner, thereby fostering strong and trustworthy relationships.



#### Firm's Network and Service Providers

The Firm ensures that relevant and reliable information is communicated by the Firm to or within the Firm's network or to service providers, if any, enabling the network or service providers to fulfill their responsibilities relating to the network requirements or network services or resources provided by them, particularly in circumstances when the Firm does not have access to the appropriate resources internally.

The Firm has established the policies and procedures that set out the information that needs to be obtained by the engagement team when a component auditor is involved (in network or out of network) in accordance with the Firm's policies and procedures, including matters related to quality management at the engagement level, through the issuance of group audit instructions.

In addition to the Firm communicating information to or within the Firm's network or to a service provider, the Firm may need to obtain information from the network, a network firm or a service provider that supports the Firm in the design, implementation and operation of its system of quality management. For example, the Firm obtains information from the network or other network firms about clients of other network firms, where there are independence requirements that affect the Firm.



#### Transparency Report

The Securities Commission Malaysia's Audit Oversight Board requires firms that have met the following two criteria to prepare annual transparency reports:

- Audit firms with more than 50 public interest entity (PIE) audit clients; and
- The total market capitalisation of the audit firm's PIE clients amounts to above RM10 billion.

The Firm's Quality Assurance and Technical department is responsible to prepare the transparency report in accordance with the annual transparency reporting requirements, which includes the disclosures of information pertaining to legal and governance structure, measures to uphold audit quality and manage risks as well as the measurements of audit quality indicators, which provide stakeholders with an overview of the Firm's system of quality management.

The transparency report will be published on the Firm's website within 4 months from the Firm's fiscal year end.



#### Laws and Regulations

The Firm is committed to comply with all applicable Malaysian laws, regulations and guidelines that are relevant to the audit profession, which includes financial crime compliance laws and regulations such as those related to anti-money laundering, anti-bribery and anti-corruption.

The Firm has introduced regulatory compliance policies, i.e., Anti-bribery and Corruption Policy, Personal Data Protection Policy and Anti-Money Laundering and Counter Financing Terrorism Policy and Whistleblowing Policy. These are regularly updated to reflect the latest regulatory changes to ensure that all personnel comply with all laws or regulations and uphold the highest standard of professional integrity and ethical conduct.

When the Firm reasonably believes there are any matters which may constitute a breach or non-compliance with laws or regulations, the Firm shall report the non-compliance to an appropriate authority outside the client entity, or to consider whether such reporting is appropriate action. The Firm may consider obtaining legal advice in such circumstances.



#### Communication with Those Charged with Governance

Recognising the importance of effective two-way communication in an audit of financial statements, the Firm has established policies and procedures that require communication with those charged with governance when performing an audit of financial statements of public interest entities on how the system of quality management supports the consistent performance of quality audit engagements.

The Firm achieves the above requirement through a combination of presentations, attendance at audit committee or board meetings and when appropriate, ongoing informal discussions with management and members of the Audit Committee.

#### Determining When It Is Otherwise Appropriate to Communicate with External Parties

Apart from communicating with all the parties identified above, based on the Firm's professional judgement, the Firm will also determine when it is otherwise appropriate to communicate with external parties to support external parties' understanding of the Firm's system of quality management, even when there are no requirements in professional standards and applicable legal and regulatory requirements to communicate externally.

### Monitoring and Remediation Process

The Firm conducts monitoring and evaluation of the policies and procedures that constitute our quality management system, on an annual basis. This regular scrutiny ensures that the Firm's system of quality management is designed to provide reasonable assurance that the policies and procedures relating to its system of quality management are relevant, adequate and operating effectively, and that our audit engagements are performed in compliance with professional standards and applicable legal and regulatory requirements, and the Firm's policies and procedures. This process includes an ongoing consideration and evaluation of the Firm's system of quality management, including a periodic inspection of a selection of completed engagements. It also includes developing recommendations to improve the system, especially if weaknesses are detected or if professional standards and practices have changed.

The Firm relies on every partner and personnel at all levels to continuously monitor quality, uphold ethical standards and maintain professionalism in accordance with the Firm's standards. This monitoring is inherent in every aspect of our professional work. Partners and personnel who are in a position to make decisions or oversee the work of others have a higher level of responsibility.

The Compliance Partner is responsible for the selection of individual engagements for inspection annually and communicates to all partners, and other appropriate personnel, information on the results of the monitoring process, including a description of the monitoring process and its conclusions on the Firm's overall compliance and effectiveness. Deficiencies that are detected and reported by the compliance officer are addressed.

In accordance with the Firm's Root Cause Analysis Framework, the Firm and the appropriate personnel evaluate the severity and pervasiveness of the deficiencies by investigating the root cause, evaluating the effect of the identified deficiencies and considering whether these deficiencies indicate structural flaws in the system of quality management or demonstrate non-compliance with the Firm's quality standards by particular partner or personnel.

Root cause analysis is a critical component of quality improvement at the Firm, as it enables a comprehensive understanding of the origins and contributing factors behind issues that have arisen. Through a systematic evaluation of data, processes, and other relevant factors, root cause analysis provides valuable insights into the root causes of problems and helps to identify effective solutions that can prevent similar issues from occurring in the future. By conducting a root cause analysis, the Firm is better equipped to maintain high standards of quality and efficiency in all its operations.

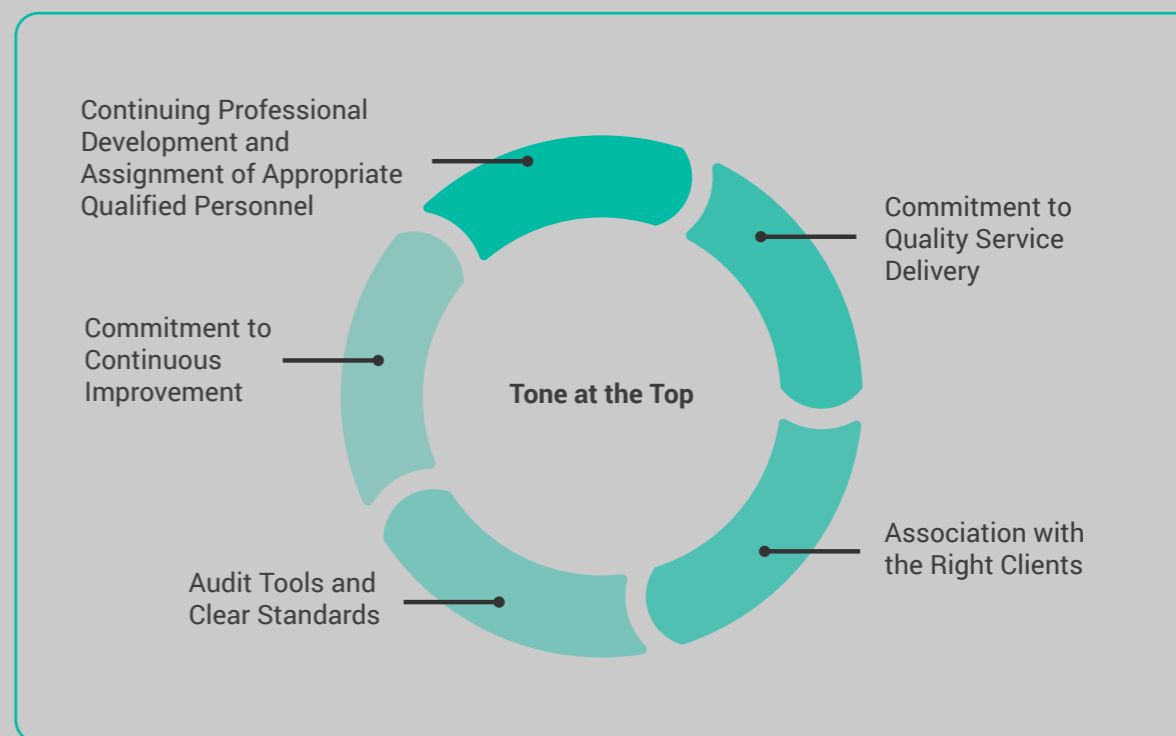
In situations where adverse quality issues/ deficiencies on engagements are identified, then based on the nature and circumstances of the issues identified, the responsible partner may be subjected to counselling with the Managing Partner in the presence of the Human Resource representative and/or be subjected to a monetary penalty that links to the partner's remuneration.

Apart from the monitoring reviews conducted internally, the Firm is also subjected to review by Audit Oversight Board and Baker Tilly International periodically. The review programme by Baker Tilly International is a quality assurance process to monitor and assess whether its members are complying with its quality standards.

## Partner Quality Charter

While the Managing Partner exercises ultimate authority and responsibility for the Firm's system of quality management, each partner is, to varying degrees, responsible for implementing the Firm's quality management policies and procedures. The "Partner Quality Charter", to which all partners are bound, provides guidance to partners on the skills and behaviours needed to deliver an appropriate, robust and independent audit.

The 6 drivers in the Partner Quality Charter provides our partners with a common language to describe what we believe drives audit quality. More importantly, it highlights how every partner at Baker Tilly Malaysia commits to the delivery of audit quality.



## Partner Quality Charter

### Tone at the Top

The partners set the tone at the top in maintaining the highest standard of audit quality within the Firm and in ensuring that the right behaviour permeates across the entire Firm. This sits at the core of the audit quality framework.

### Audit Tools and Clear Standards

Our partners ensure that the work performed by the engagement team meets applicable professional standards, regulatory requirements, and Baker Tilly Malaysia's standards of quality, including the MIA By-Laws (on Professional Ethics, Conduct and Practice), which establishes the fundamental principles of professional ethics.

Our audit methodology, which is based on the requirements of the International Standards of Auditing, is supported by the Global Focus system, a web-based application and electronic audit filing system developed by Baker Tilly International that integrates the methodology, guidance and tools needed to manage our audit process.

### Commitment to Quality Service Delivery

The Firm has accreditation requirements, which ensures that only partners with the appropriate training and experience are assigned to clients. We require partners to maintain their accreditation with their professional accounting bodies and to satisfy the Continuing Professional Development requirements of such bodies.

All partners undergo performance evaluation processes and the results of the annual performance evaluation have a direct effect on the remuneration of partners and in some cases on their continued association with the Firm. Recognition and reward for quality work is part of this process.

### Commitment to Continuous Improvement

The Firm relies on every partner to monitor and enforce the quality, ethics and professionalism in accordance with the Firm's standards. The Firm's monitoring process is designed to ensure that the policies and procedures relating to the system of quality management are relevant, adequate and effective. This process includes a selection of completed engagements for inspection annually. Any disagreement, non-compliance with or disregard for the inspection findings is resolved through the Firm's dispute resolution process as provided for in the Baker Tilly Malaysia's Quality Management Manual.

### Association with the Right Clients

We are committed to identify and assess potential sources of risk associated with a client relationship or a specific engagement.

### Continuing Professional Development and Assignment of Appropriate Qualified Personnel

The Firm believes in recruiting and retaining the best people.

The partners are responsible for ensuring that the assigned individuals and the engagement team as a whole, have the necessary competencies to complete the engagement according to professional standards and the Firm's quality management system. In this connection, regular assessment of the Firm's professional service requirements is carried out in order to ensure that the Firm always has the necessary capacity and competency.

Partners are also encouraged to attend non-technical courses and events to develop their soft skills.

## Independence

The Firm observes the MIA By-Laws (on Professional Ethics, Conduct and Practice), which are substantially based on Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants, and establishes the fundamental principles of professional ethics:

- Integrity
- Objectivity
- Professional competence and due care
- Confidentiality
- Professional behaviour

The Firm's Ethics Partner is responsible for recommending policies and procedures for establishing, promoting, and monitoring ethical conduct amongst all personnel, to the Managing Partner.

The partners and personnel are required to be independent, both in mind and appearance, of their assurance clients and engagements.

The Firm has policies and procedures designed to assist all partners and personnel in understanding, identifying, documenting and managing independence threats, and for the resolution of independence issues that arise before or during engagements.

All partners and personnel are required to review their specific circumstances for any independence threats or potential threats, and to inform the Ethics Partner of any such threats when identified. In addition, they are also required to provide the Firm with a written confirmation annually, that they have understood and complied with the MIA's By-Laws (on Professional Ethics, Conduct and Practice) and the Firm's independence policies.

## Rotation of Personnel on Audit Engagements for Public Interest Entities

### a) Engagement Partners and Engagement Quality Reviewer, including Other Senior Personnel

The Firm adheres to the MIA's By-Laws (on Professional Ethics, Conduct and Practice) on rotation of engagement partners and engagement quality reviewers on all audit engagements for public interest entities.

Each year, the Ethics Partner assesses the length of time for which the partners and engagement quality reviewers, including other senior personnel, have participated in the audit of a public interest entity.

Where the engagement partner or engagement quality reviewer or any other key audit partners have been involved in the audit of the public interest entity in either capacity, or a combination thereof, for a period of seven (7) years, the individual will be removed from the engagement team and will not participate in the audit until a further cooling-off period has elapsed. A summary of the rotation requirements is as set out below:

Role	Transition Period 15 Dec 2018 to pre 15 Dec 2023		Full Provisions (from 15 Dec 2023)	
	Time-on (years)	Cooling-off (years)	Time-on (years)	Cooling-off (years)
Engagement Partner	7	3	7	5
Engagement Quality Reviewer	7	3	7	3
Other Key Audit Partners	7	2	7	2

Where the senior personnel have been involved in the audit and concluded that rotation is necessary, the Ethics Partner will identify the replacement and specify the period for which the audit senior personnel must not participate in the audit of the public interest entities.

Some degree of flexibility over the timing of rotation may be necessary in exceptional circumstances, such as when the engagement partner, engagement quality reviewer or the audit senior personnel continuity on the audit engagement is especially important or when a regulatory authority empowered by law expressly allows such flexibility. In these cases, equivalent safeguards will be applied to reduce any threats to an acceptable level. Such safeguards will include an additional review of the audit work performed by another partner or alternate engagement quality reviewer who has not been associated with the engagement team.

### ISQM 2 Cooling-Off Period for an Individual After Previously Serving as the Engagement Partner

Where an individual has served as the engagement partner previously, the individual shall not be appointed as engagement quality reviewer until the two years cooling-off period has elapsed.

Similarly in a group audit, where an individual has served as the engagement partner of a significant component previously, the individual will not be appointed as group engagement quality reviewer until the two years cooling-off period has elapsed.

### b) All Partners including Newly Promoted Partner

In evaluating the threats created by an individual's long association with an audit engagement, a firm shall give particular consideration to the roles undertaken and the length of an individual's association with the audit engagement prior to the individual becoming a key audit partner. There may be situations where the firm, in applying the conceptual framework, concludes that it is not appropriate for an individual who is a key audit partner to continue in that role even though the length of time served as a key audit partner is less than seven years.

Accordingly based on the above requirements in the MIA's By-Laws (on Professional Ethics, Conduct and Practice), all partners including newly promoted partners, are required to make a self-declaration on his/her past involvement in the audit engagement, and this declaration will be verified by the Ethics Partner.

The Ethics Partner will assess the roles undertaken and the length of those partners' association with the audit engagement in becoming a key audit partner.

Based on the assessment, the Ethics Partner will determine the period for which the partner shall participate in the audit of the public interest entity, if any.

### c) Rotation of Personnel on Audit Engagements for Other Entities

For financial statement audit clients which are not public interest entities, when the assessment of independence of the engagement team concludes that rotation of certain individuals is necessary, the Ethics Partner will identify the replacements and specify the period for which the individual shall not participate in the audit of the entity.



## Compliance with Relevant Laws and Regulations

Baker Tilly Malaysia is committed to complying with all applicable Malaysian laws, regulations and guidelines that are relevant to our profession, which include financial crime compliance laws and regulations such as those related to anti-money laundering, anti-bribery, and corruption. As such, we have introduced regulatory compliance policies that are regularly updated to reflect the latest regulatory changes to ensure that all our stakeholders uphold the highest standard of professional integrity and ethical conduct.

### Anti-bribery and Corruption Policy

Our Anti-bribery and Corruption Policy sets out the responsibilities of Baker Tilly Malaysia and its personnel in ensuring compliance with the Malaysian Anti-Corruption Commission Act 2009. Clear guidelines on what constitutes a bribe or an act of corruption, as well as information on how to deal with such acts, are provided accordingly.

### Personal Data Protection Policy

Our Personal Data Protection Policy sets out the manner in which Baker Tilly Malaysia and its related entities would collect and handle personal data, in accordance with the Personal Data Protection Act 2010. Protected data include those relating to current, past and prospective personnel, clients, suppliers and business associates.

### Anti-Money Laundering and Counter Financing Terrorism Policy

Our Anti-Money Laundering and Counter Financing Terrorism Policy is drafted in accordance with Bank Negara Malaysia's Anti-Money Laundering and Countering Financing of Terrorism and Targeted Financial Sanctions for Designated Non-Financial Businesses and Professions & Non-Bank Financial Institutions guidelines. This Policy aims to establish and maintain a system which comprises of a series of procedures and controls that will allow the Firm to effectively identify suspicious activities such as that of money laundering and terrorism financing.

This Policy sets out the obligations of Baker Tilly Malaysia with respect to the requirements imposed under Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 and the roles of Managing Partners and senior management in implementing relevant Anti-Money Laundering and Counter Financing of Terrorism measures.

### Whistleblowing Policy

The Firm's Whistleblowing Policy aims to provide a formal and confidential channel to enable its personnel to report in good faith, serious concerns of any improper conduct and/ or wrongdoing that could adversely affect the Firm or its related entities in accordance with the procedures as provided for under this policy.

When a Report of Improper Conduct ("Report") is received via email by the Code of Conduct Committee ("COCC"), an acknowledgement of receipt will be provided by the COCC to the Whistleblower. The COCC will then investigate to determine whether there are merits to the Report. The findings of the investigations and recommendation by COCC shall be referred to the Leadership Team. In circumstances where the report involves any of the member of the Leadership Team or the COCC, the said involved person will have to abstain from any investigation and decision making.



## Risk Management

Risk management forms part of the Firm's overall strategic and operational policies and practices. It is essential for the Firm to have an effective risk management framework in place to minimise practice risk.

Our Risk Management function is headed by Dato' Lock Peng Kuan and assisted by Ng Boon Hiang. Their responsibilities are mainly to oversee and to lead risk management initiatives relating to the Firm's professional services, to establish consistent risk management execution priorities and instil a risk management "culture" in the Firm, where partners and personnel instinctively look for risks and consider their impact when making effective operational decisions.

In addition, our Risk Management Policy sets out the fundamental principle on the acceptance of new clients or continuance with existing clients, which is vital to maintain the audit quality, to protect our people and to comply with regulatory requirements.

The Firm maintains a "Client Acceptance and Continuance Risk Matrix" to assess the risk level on the acceptance and continuance of client relationship. Additional risk management or quality management safeguards are mandated for clients assessed as "High Risk", i.e., mandatory consultation and approval from Managing Partner and Chief Operating Officer is required.

Besides that, regular risk management meetings are organised to discuss any issues that may arise, to assess and to perform evaluation on risk opportunities to ensure potential risks that have been identified are managed effectively.

As part of our strategy and commitment for continuous improvement, we continually strive to improve our risk management processes to deliver exceptional client service.

## PART C: Audit Quality Indicators



## Audit Quality Indicators

This section sets out the statistics relating to the Firm's audit quality indicators ("AQIs"), which provide valuable insights into the factors that may influence the quality in the delivery of our professional services. AQIs are indicators of audit quality that enable the Firm to focus on those aspects of work where behavioural change and improvements in quality are considered necessary and hence continue to support our people and enable them to provide a high level of audit quality in an independent, objective and ethical manner, to maintain public and stakeholder confidence.

Our transparency report focuses on the following AQIs:

- Audit partner workload
- Auditor independence
- Capacity and competence of the audit practice
- Audit engagement supervision
- Firm's investment to uphold audit quality
- Internal and external monitoring reviews

### Audit Partner Workload

An audit partner's workload can have a significant impact on the quality of their audit engagements. As such, we recognise the importance of managing the workload of our audit partners and ensuring that they have sufficient time and resources to direct, supervise and review their audit engagements effectively. We prioritise this area and take active steps to ensure that our audit partners' workloads are manageable. Our commitment to providing appropriate time and resources to every audit engagement reflects our dedication to maintaining the audit quality.

The audit partner's workload is derived by dividing the number of entities (under the categories Public Interest Entities ("PIEs"), Entities Related to PIEs and Non-PIEs) by the number of audit partners who undertake the role as the Engagement Partner for the audits of these categories.

As of 31 December 2022, the Firm has 19 licensed audit partners of which 13 of them are registered with the Audit Oversight Board.

Chart 1 depicts the average audit partner workload, the calculation of which includes all 19 audit partners who are listed in SSM Section 265(4) Form on Notification of Change in the Registrar of Firm of Auditors, in the calculation.

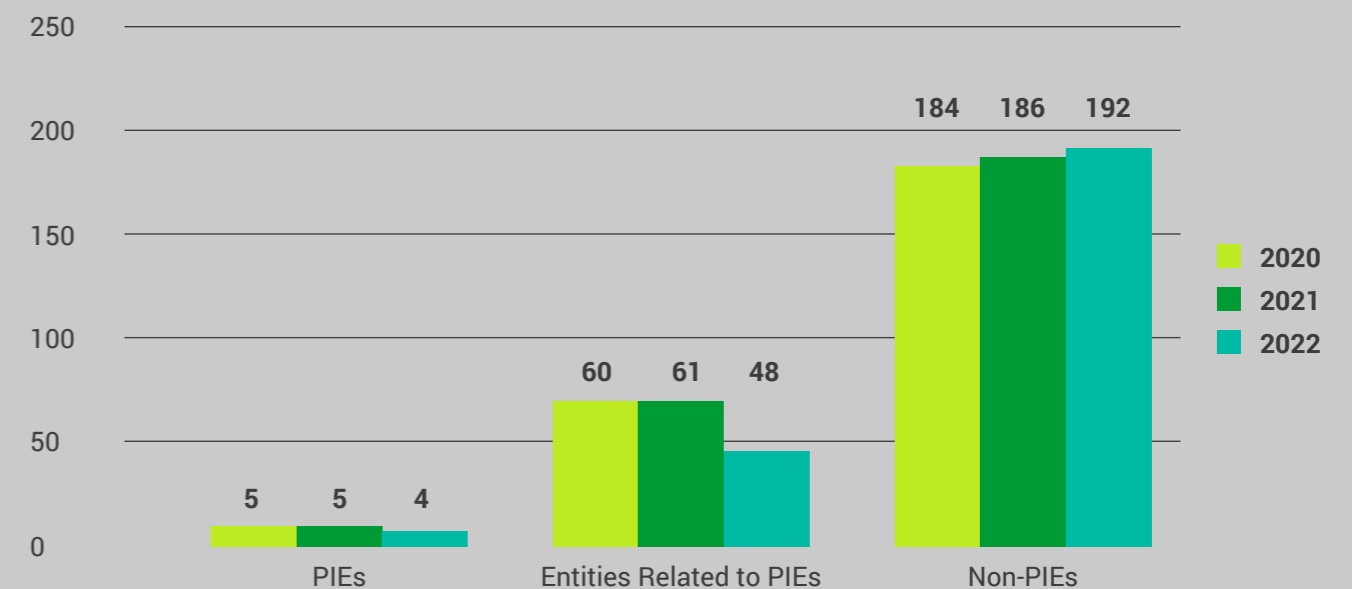


Chart 1: All Audit Partner Workload

On the contrary, Chart 1.1 depicts the average audit partner’s workload, the calculation of which include only 11 audit partners who are actively involved in the audit of PIEs. Of those not included in this calculation, one focuses on the leadership of Baker Tilly Malaysia and another is fully dedicated to the quality assurance and technical work within the Firm, including overseeing the monitoring review of the Firm’s PIE audits. This is part of the Firm’s structured approach to ensure that the leadership direction is clear and that the quality assurance system for PIE audits is maintained at the highest standards.

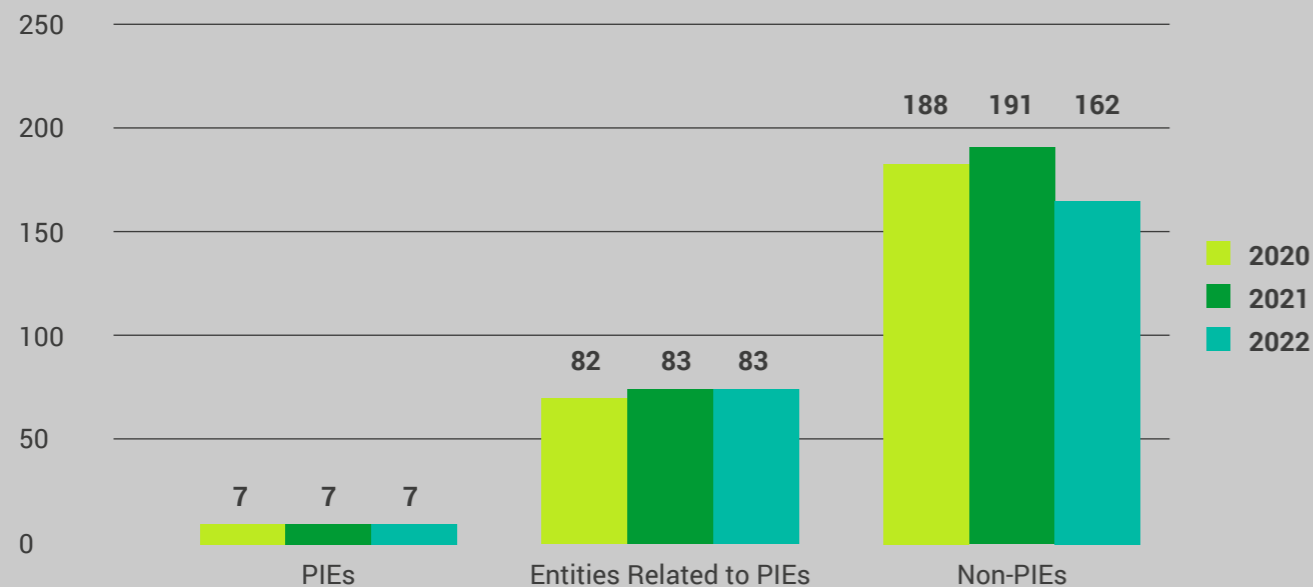


Chart 1.1: PIE Audit Partner Workload (Audit Partners who are involved in PIE Audits)

**Auditor Independence**

It is always a public concern whether the provision of non-assurance services by audit firms to its audit clients could compromise the auditor’s independence and objectivity, especially when the fees derived from offering non-assurance services are substantial. Hence, the Firm places significant emphasis in this area to ensure that it remains in compliance with the relevant provisions of the MIA By-Laws (on Professional Ethics, Conduct and Practice) and other relevant regulatory requirements with respect to the Firm’s independence.

To further mitigate potential independence risk in the execution of non-assurance services to audit clients, the Firm takes a proactive approach in monitoring and mitigating any potential conflicts of interest that may arise by implementing client acceptance procedures, which provides guidance to ensure compliance with the Firm’s ethical and independence requirements. Prior to accepting any non-assurance services with audit clients, the Firm undertakes a stringent review of the nature of each service to determine the permissibility of the service and apply necessary safeguards where required.

The Firm’s client acceptance and continuance processes are instrumental in ensuring that we only take on engagements where we have the competence and capacity to deliver the standard of work that our clients and profession expect and where we can comply with our ethical and independence requirements.

The following is an analysis of the proportion of fee income derived from audit clients of the Firm, segregated into statutory audit, other assurance services and services provided by the non-audit practice:

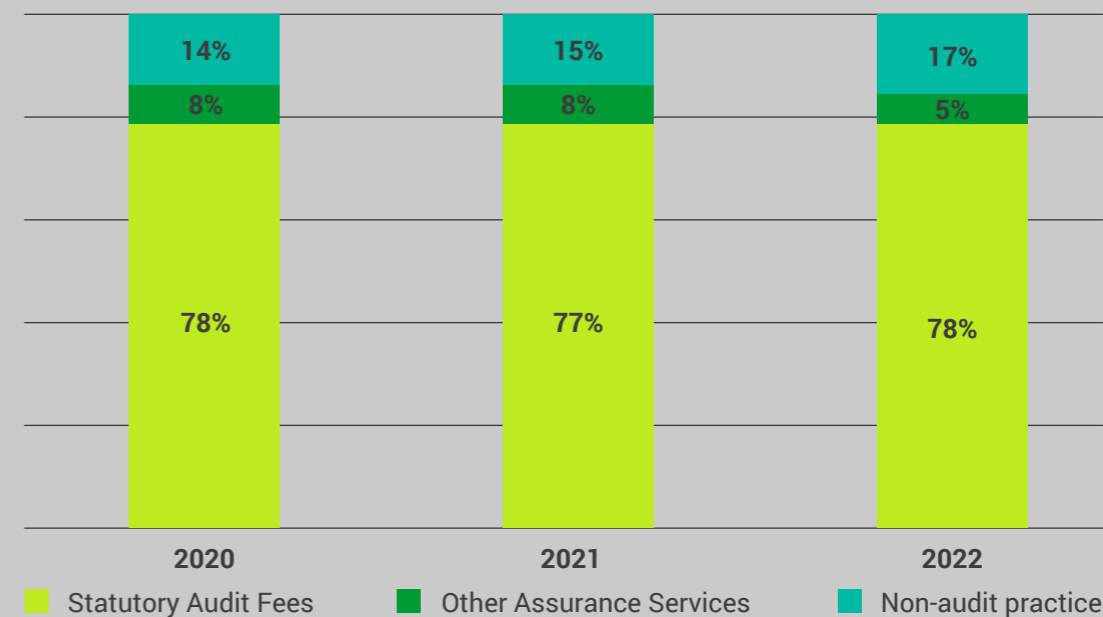


Chart 2: Proportion of fee income derived from audit clients segregated into statutory audit, other assurance services and services provided by non-audit practice

Over the last 3 years, the fee income derived from statutory audit fees have continued to be the major contributor to the combined fee income derived from the Firm’s audit clients. The proportion of the statutory audit fees, other assurance fees and non-audit practice derived from our audit clients have remained fairly constant over the last 3 years.

We further analysed the Firm’s total fee income by categorising it into audit practice and non-audit practice as illustrated in Chart 2.1. As demonstrated in the chart, a significant portion of the Firm’s total fee income is derived from our audit practices, which contributed 59% to the Firm’s total fee income.

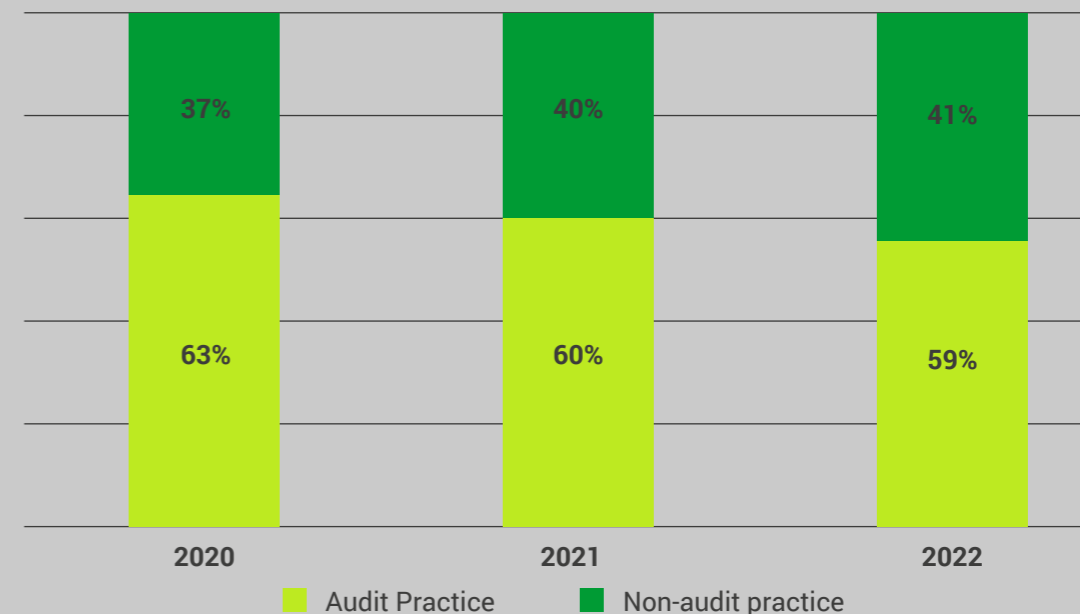


Chart 2.1: Proportion of fee income between audit practice and non-audit practice

### Capacity and Competence of the Audit Practice

At Baker Tilly Malaysia, our people are the driving force behind the Firm's success. In an industry where retaining skilled audit personnel remains a challenge, it is crucial that we prioritise the growth and the professional development of our people. In this connection, our ability to attract and retain the right number of high-quality people is of utmost importance. Our unwavering commitment to being "the best place to work" demands that we position ourselves strategically to recruit, nurture and retain staff who shares the strong sense of responsibility for delivering quality services.

The overall staff turnover rate for audit personnel shown a slight increase from 27% in 2021 to 29% in 2022. This trend is in line with the great resignation, an industry-wide phenomenon, which has been observed since COVID-19 pandemic. Nevertheless, we remain committed to taking proactive measures to retain our talents. To this end, we are dedicated to offering competitive remuneration packages, enhancing employee benefits and fostering a supportive and inclusive workplace culture through a range of engaging events and activities, with the aim of cultivating an environment where our talents can thrive and contribute to the ongoing success of the Firm.

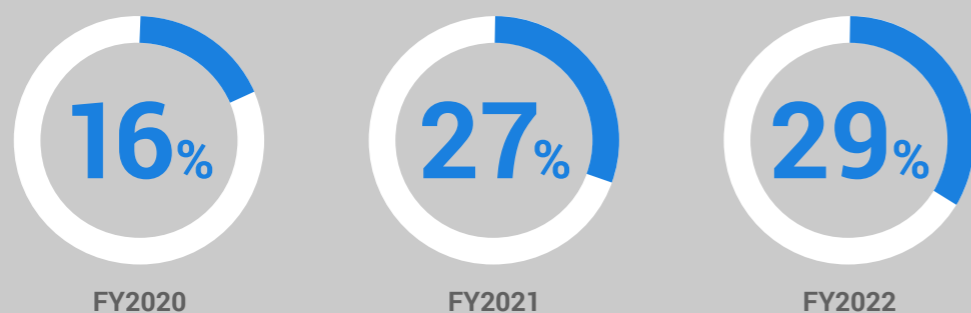


Chart 3: Turnover rate for audit personnel




	FY2020	FY2021	FY2022
 Partners	15	15	19
 Managerial Staff	54	52	59
 Non-Managerial Staff	241	238	271
<b>TOTAL:</b>	<b>310</b>	<b>305</b>	<b>349</b>

Chart 3.1: Headcount of audit personnel




	FY2020	FY2021	FY2022
 With professional qualifications and/or MIA membership	59	53	65
 Pursuing professional qualifications and/or MIA membership <sup>N1</sup>	113	153	159
 Without professional qualifications and/or MIA membership <sup>N2</sup>	138	99	125

Chart 3.2: Headcount of audit personnel with MIA membership and/or member of a professional body

<sup>N1</sup> Pursuing professional qualifications and/or MIA membership  
Completed their professional examinations but have not obtained professional membership and those pursuing their professional examinations.

<sup>N2</sup> Without professional qualifications and/or MIA membership  
All 125 audit personnel have completed their tertiary education, of which, 47 have passed their final examinations as specified in Part I of the First Schedule of the Accountants Act, 1967 and are eligible to apply for MIA membership once they have gained relevant work experience in the Firm.




	FY2020	FY2021	FY2022
 Partners	22 years	23 years	23 years
 Managerial Staff	10 years	11 years	10 years
 Non-Managerial Staff	3 years	3 years	2 years

Chart 3.3: Average years of experience by staff role

### Audit Engagement Supervision

The involvement of audit partners in leading and supervising the overall planning and execution of audit engagements with the assistance of audit managers is a critical factor that impacts the audit quality. In our Firm, a coaching culture is encouraged, as we believe it unlocks the potential of our people, maximises their performance and enables them to contribute to our future success. We are committed to providing our people with the necessary resources and support to excel in their roles and maintain the highest standards of audit quality.

A partner or manager's ability to provide dedicated attention and supervision to the audit engagement team is reflected by a lower staff-to-partner and manager ratio. As illustrated in Chart 4, the ratios have remained fairly constant throughout the years.



	FY2020	FY2021	FY2022
 <b>Partners to Staff ratio</b>	1:20	1:19	1:17
 <b>Manager to Staff ratio</b>	1:4	1:5	1:5

Chart 4: Staff to Partner and Manager ratio

**Audit Firm's Investment to Uphold Audit Quality**

At Baker Tilly Malaysia, we are committed to fostering a culture of continuous learning and development. We firmly believe that in order to build upon our people's existing capabilities, it is crucial that they constantly enhance their technical knowledge. Active learning is a key component of our professional development strategy. Our commitment to active learning empowers our people to stay up to date with the latest industry trends, new developments and regulations, ultimately leading to greater innovation and success in the work.

Our training programs aim to maintain and improve our people's understanding and knowledge in areas such as financial reporting and audit, industry-specific knowledge, emerging technologies and leadership behaviours. Training programmes are also reviewed regularly to reflect the current needs of the Firm, taking into account inspection findings, new audit and accounting standards and other regulatory changes.

The Firm shifted some of the trainings from traditional classroom-based training to virtual classroom delivery to ensure uninterrupted learning for our audit personnel. In addition, in third quarter of year 2022, we launched our Online Learning Management System. This has led to an increase in the number of training hours attended by our audit personnel in 2022 as they are now have access to training anytime, anywhere, at their convenience.

To further encourage ongoing professional development, we have also increased our CPD hours requirements to be achieved by the audit personnel from 20 hours to 40 hours.


	FY2020	FY2021	FY2022
 <b>Partners</b>	46 hours	63 hours	87 hours
 <b>Managerial Staff</b>	25 hours	29 hours	59 hours
 <b>Non-Managerial Staff</b>	23 hours	27 hours	53 hours

Chart 5: Average Actual Training Hours Attended by Audit Personnel

**Quality Management**

At Baker Tilly Malaysia, we understand the crucial role that quality and risk management play in our audit function, which is why we place emphasis on our quality management function. This function provides comprehensive support to the audit personnel, including staff training, technical consultation related to accounting and auditing, as well as maintenance of audit manuals, policies and guidance. Through this support, we aim to keep our audit professionals up to date with new developments in relevant areas. The quality management function also assists our engagement teams with any questions they may have with regards to quality and engages with local regulators and standard setters on a regular basis.

Our risk management function is equally important as it establishes consistent execution priorities and instils a "risk management culture" within our Firm. This means that partners and personnel are encouraged to proactively identify and assess risks and consider their potential impact when making decisions. We are committed to designing, operating and monitoring our quality management system to ensure that we provide our clients with quality service.

The Firm's risk management function is led by Managing Partner with the assistance of Mr. Ng Boon Hiang, an audit partner. The Firm's training and technical function is headed by Ms. Esther Cheah, an approved auditor and AOB registered partner, who is assisted by a team of 8 dedicated staff fully focused on training and technical matters. Mr. Andy Lee, an audit partner, provides his expertise in terms of technical support as and when needed. Together, the team is fully committed to ensuring the highest standards of risk management and technical excellence from our people.



	FY2020	FY2021	FY2022
 <b>Risk Management</b>	2	2	3
 <b>Training</b>	2	2	3
 <b>Technical</b>	5	5	6
<b>TOTAL:</b>	<b>9</b>	<b>9</b>	<b>12</b>

Chart 5.1 Headcount of quality management functions

The commitment of the Firm to ensure adequate resources are allocated to support audit quality can be demonstrated through a lower ratio of audit personnel headcount to quality management headcount. This ratio indicates that the Firm is devoting a greater proportion of its resources towards quality management, which is essential in maintaining the audit quality.

We will continue to put in place dedicated resources to support our commitment to technical excellence and quality service delivery.



Chart 5.2 Ratio of quality management headcount to audit personnel

**Internal and External Monitoring Reviews**

At Baker Tilly Malaysia, our commitment to the highest level of quality in all our engagements is at the core of our values and the foundation of our success. As such, the Firm has implemented a comprehensive monitoring system as an integral part of our ongoing efforts to improve the Firm's performance. By focusing on audit quality and striving for continuous improvement, we are better equipped to provide our clients with the quality service.

In this section, we describe how audit quality is monitored in Baker Tilly Malaysia in 2 ways:

- Internal monitoring review
- External monitoring review

**Internal Monitoring Reviews**

Our internal monitoring review, the cornerstone of Baker Tilly Malaysia's efforts to monitor audit engagement quality, comprises an ongoing evaluation and assessment of the Firm's system of quality control and inspection at the engagement level. This comprehensive review process is designed to continually monitor and improve the quality of our audit engagements. Through this process, we identify potential issues and risks as well as opportunities for improvement. We use the insights gained from the review process to develop actionable plans for improvement and to communicate the findings to the audit personnel.

Firm Level

The Firm conducts monitoring and evaluation of the policies and procedures that constitute our system of quality control, on an annual basis. This regular scrutiny ensures that our system of quality control is designed to provide reasonable assurance that the policies and procedures relating to its system of quality control are relevant, adequate and operating effectively and our audit engagements are performed in compliance with professional standards and applicable regulatory and legal requirements and the Firm's policies and procedures.

Engagement Level

All engagement partners are selected for a review on a three-year rotation basis. Primarily, our internal monitoring review process determines whether we have complied, in all material respects, with all applicable accounting and auditing standards, regulatory and legal requirements, and the Firm's audit methodology and policies. We share our findings identified from the internal monitoring review through internal training and during our periodic partner/manager and team meetings. Issues that have been identified are also emphasised in subsequent inspection activities to gauge the extent of the continuous improvement.



**Assessment Criteria for Engagement Performance**

**Satisfactory**

Audit work performed, evidence obtained and documentation fully comply with the Firm's internal policies, audit methodology, applicable accounting and auditing standards, legal and regulatory requirements and no material misstatements being identified.

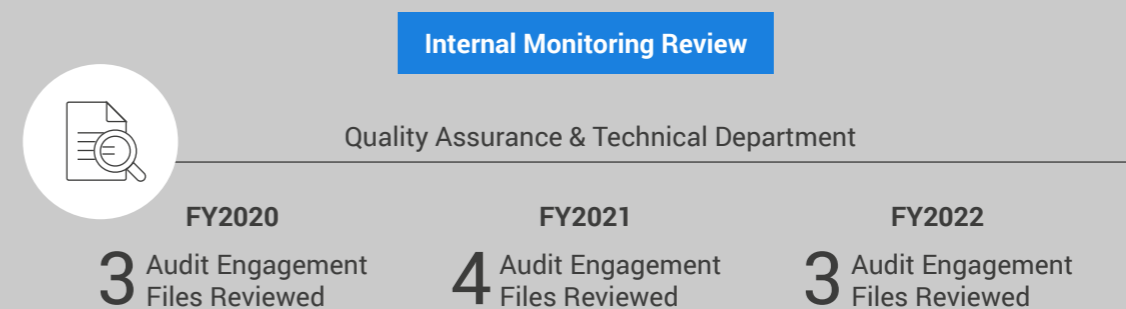
**Need Improvement**

Insufficient and inappropriate work done on significant financial statement area (i.e. specific requirements of our audit methodology were not embedded or properly justified which might have potential financial impacts).

**Not Satisfactory**

When the auditor did not perform the audit in line with the Firm's audit methodology, non-compliance with accounting and auditing standards and no work done on significant financial statement area. The financial statements contained material misstatements and the auditor's report issued by the Firm is not appropriate.

The latest internal monitoring review was conducted in 2022 by our Quality Assurance & Technical department:



During the financial year 2020 to 2022, prior to the implementation of ISQM 1, the Firm's systems of quality controls were reviewed and no exceptions were found. The policies and procedures that govern the Firm's system of quality control were deemed to be both relevant and adequate, and found to be operating effectively. This positive outcome reflects the Firm's ongoing commitment to maintaining a high standard of quality in delivering quality services.

In 2022, an internal monitoring review was also conducted at the engagement level and the results showed a consistently positive trend. All three engagements that were reviewed achieved a "Satisfactory" rating. This outcome is a testament to the effectiveness of the Firm's internal monitoring and quality control processes.

The results of our 2022 inspection provided valuable insights into our quality control system and we are committed to using this information to drive ongoing improvement. We will continue to focus on supervision and review activities, with a particular focus on areas where significant risks may be present, assessing sufficiency of audit evidence, as well as audit documentation. By taking these steps, we believe that we can continue to enhance the quality of our services.

**External Monitoring Reviews**



In addition to our own internal monitoring reviews, the Firm is subjected to external reviews by the Audit Oversight Board and Baker Tilly International.

## Audit Oversight Board

The Audit Oversight Board (“AOB”) was established under Part IIIA of the Securities Commission Act Malaysia 1993 (“SCMA”), which came into force on 1 April 2010 to promote and develop an effective audit oversight framework, and to promote confidence in the quality and reliability of audited financial statements in Malaysia.

One of the key responsibilities of the AOB is to conduct inspections and monitoring programmes on auditors to assess the degree of compliance with auditing and ethical standards. The AOB conducts inspections on registered audit firms and individual auditors of PIEs and scheduled funds. An AOB inspection may be carried out at the firm level or engagement level or both. A firm review focuses on the review of an audit firm’s quality control systems and practices and the degree of compliance with the requirements of the International Standards of Quality Control 1 (“ISQC 1”) while an engagement review aims to assess the degree of compliance with auditing and ethical standards of an audit engagement conducted by an auditor.

Findings identified in relation to firm reviews generally relate to compliance with the requirements of the ISQC 1. For engagement reviews, findings are either deficiencies that are individually critical, which may have an impact on the basis of audit opinion, or those that relate to a pervasive issue where the impact cannot be easily quantified. Findings do not necessarily suggest that the affected PIEs’ financial statements contain a material accounting error or that its internal controls in respect of financial reporting are materially weak.



### External Monitoring Review



Audit Oversight Board

**FY2020**  
3 Audit Engagement Files Reviewed

**FY2021**  
No Inspection Concluded

**FY2022**  
5 Audit Engagement Files Reviewed

In 2022, the Firm was subjected to inspection by the AOB. The inspection included an assessment of the Firm’s compliance with the requirements outlined in ISQC1, as well as a review of five selected audit engagements. These engagements pertained to the audits of financial statements for the years ended 31 December 2020, 30 June 2021, 31 August 2021 and 31 October 2021.

As of the date of this report, the 2022 regular inspection reported that there were some areas for improvement, which serves as a valuable reference point for the Firm’s quality programs and improvement activities. None of the issues raised during the regular inspection required any modifications to audit opinions or restatements of financial statements. Nonetheless, we have taken the recommendations for improvements seriously and have worked diligently to address them in order to continuously enhance our audit quality.

## Baker Tilly International

Members of Baker Tilly International are expected to conduct all aspects of their business to the highest of professional standards, maintain integrity and keep in good standing in their local business community. Additionally, member firms are required to comply with international and national standards applicable to all aspects of their work, including:

- **Quality:** compliance with ISQC1, requiring that the member firm establishes a system of internal quality control designed to provide it with reasonable assurance that the firm and its personnel comply with professional standards and regulatory and legal requirements and that reports issued by the firm or engagement partner are appropriate in the circumstances
- **Auditing:** to carry out audits in accordance with the International Standards on Auditing, whilst complying with all national standards relevant to audit work
- **Ethics:** compliance with the Code of Ethics issued by the International Ethics Standards Board for Accountants

The quality of audit and other work and the maintenance of that quality are fundamental to the success of any international network and its member firms. It is imperative for the ongoing success of the Baker Tilly International network that member firms are, and are seen to be, providing high quality audit and assurance services.

All members of Baker Tilly International are subject to a quality improvement review on a cyclical basis. The extent of the review is dependent on an assessment of the member’s compliance with ISQC1 (or ISQM1 once it becomes applicable) and the extent of any external review to which the member may be subjected.

Baker Tilly International’s review includes consideration of the way the Firm is managed and operated, together with a review of its approach to audit work. This includes a review of the Firm’s audit methodology to ensure compliance with International Standards on Auditing, in addition to reviews of completed audit engagements.

At the end of the review, Baker Tilly International will comment on the design of the system of quality control as well as the Firm’s compliance with its system of quality control and Baker Tilly International’s policies and procedures, along with a description of any systematic deficiencies or material weaknesses that have been identified. Timely remediation plan is submitted by the Firm to ensure that the deficiencies and material weaknesses that were identified during the review are rectified.



### Network Firm Monitoring Review



Baker Tilly International

**FY2022**  
4 Audit Engagement Files Reviewed

The last Quality Improvement Review was undertaken by Baker Tilly International in November 2022.

For Firm level review, it was reported there were no findings noted and that the Firm has good policies and procedures in all areas and these are well monitored by the Firm’s Quality Assurance and Technical Department.

The overall conclusion in the 2022 engagement level inspection is that there are some areas for continuous improvement.

We have taken the recommendations seriously and have worked diligently to address them in order to continuously enhance our audit quality.

## Appendix

Public listed audit clients of Baker Tilly Malaysia as at 31 December 2022:

Company Name	Market
Ace Innovate Asia Berhad	Leap
Advance Synergy Berhad	Main
Akru Now Sdn Berhad	CMSL
Alam Maritim Resources Berhad	Main
Amlex Holdings Berhad	Leap
Amtel Holdings Berhad	Main
Aneka Jaringan Holdings Berhad	Ace
APB Resources Berhad	Main
Avillion Berhad	Main
AWC Berhad	Main
B.I.G. Industries Berhad	Main
Bahvest Resources Berhad	Ace
CAM Resources Berhad	Main
Central Global Berhad	Main
Citaglobal Berhad (FKA WZ Satu Berhad)	Main
Crest Builder Holdings Berhad	Main
Dolomite Corporation Berhad	Main
Eco World Development Group Berhad	Main
Econframe Berhad	Ace
Esthetics International Group Berhad	Main
Evergreen Fibreboard Berhad	Main
Eversendai Corporation Berhad	Main
Farlim Group (Malaysia) Berhad	Main
FCW Holdings Berhad	Main
Federal International Holdings Berhad	Main
Fibromat (M) Berhad	Leap
Haily Group Berhad	Ace
HeveaBoard Berhad	Main
HPMT Holdings Berhad	Main
Hwa Tai Industries Berhad	Main
ILB Group Berhad (FKA Integrated Logistics Berhad)	Main
Infomina Berhad	Ace
Inta Bina Group Berhad	Main
Ireka Corporation Berhad	Main
Iris Corporation Berhad	Ace
Johan Holdings Berhad	Main

Company Name	Market
K. Seng Seng Corporation Berhad	Main
K-One Technology Berhad	Ace
Leon Fuat Bhd	Main
LGMS Berhad	Ace
LYC Healthcare Berhad	Ace
ManagePay Systems Berhad	Ace
Manforce Group Berhad	Leap
Meta Bright Group Berhad (FKA Eastland Equity Bhd)	Main
Minda Global Berhad	Main
Mitrajaya Holdings Berhad	Main
Ocean Vantage Holdings Berhad	Ace
OCK Group Berhad	Main
OCR Group Berhad	Main
Opcom Holdings Berhad	Ace
Pappajack Berhad	Ace
PCCS Group Berhad	Main
Plenitude Berhad	Main
Poh Kong Holdings Berhad	Main
Privasia Technology Berhad	Ace
Propel Global Berhad	Main
S & F Capital Berhad	Main
Samchem Holdings Berhad	Main
Sarawak Cable Berhad	Main
SJ Securities Sdn Bhd	CMSL
SMIS Corporation Berhad	Main
SMRT Holdings Berhad	Ace
Southern Cable Group Berhad	Main
StashAway Malaysia Sdn Bhd	CMSL
Stella Holdings Berhad	Main
Sunview Group Berhad	Ace
Talam Transform Berhad	Main
Tanco Holdings Berhad	Main
Timberwell Berhad	Main
Titijaya Land Berhad	Main
TT Vision Holdings Berhad	Ace
Turiya Berhad	Main
United U-LI Corporation Berhad	Main
UPA Corporation Berhad	Main
Uzma Berhad	Main
Volcano Berhad	Ace
WCE Holdings Berhad	Main
Willowglen MSC Berhad	Main
YLI Holdings Berhad	Main
YNH Property Berhad	Main



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