

# Baker Tilly Malaysia Transparency Report

31 December 2023



Now, for tomorrow





# CONTENTS

Message from the Group Managing Partner	02
Message from the Managing Partner, Audit & Assurance	04
Baker Tilly Malaysia FY2023 Audit Quality Performance	05

## **PART A:**

### **Legal and Governance Structure**

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Introduction to Baker Tilly Malaysia	08
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	54
Audit Firm's Investment to Uphold Audit Quality	54
Internal and External Monitoring Reviews	56

Appendix	59
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## Message from the **Group Managing Partner**

2023 was a year of surprises for global markets and economies, with anticipated downturns and projected exponential growth falling short of economists' predictions. At best, 2023 can be described as lacklustre for the global economy as it continued to trudge along what was still a challenging road to recovery marked by inflationary pressures and uncertainties from geo-political tensions. That global GDP grew was a show of resilience and preparedness-of-markets in bracing for negative impacts. Going into the new year against this backdrop, and as inflation begin to stabilise, we expect businesses to be optimistic for greater growth in 2024.

The past one year was indeed a test of resilience for businesses around the world. Malaysia, as a trading nation, felt the brunt of the slowdown in exports. On top of this, cost of business also rose as a result of the amendments to the Employment Act. Professional services firms like ours, as well as companies that are talent-heavy saw a big jump in the cost associated with talent attraction and retention. However, the tough lessons from the covid-19 pandemic have taught companies to be on their toes and to be better prepared. To sum up year 2023 - we weathered the looming storm.

As we enter year 2024, we anticipate that companies will continue to invest in technology as part of their digitalisation and automation strategy to be future-ready. At Baker Tilly Malaysia, we have also continued to invest our time and resources into digitalisation and automation, setting the tone for our clients. Admittedly, this is a steep learning curve for a lot of companies, requiring a fairly big apportionment of time and resources. The transition by the nation to the new e-invoicing system will also see another push towards digitalisation across board. At Baker Tilly Malaysia, our Tax Department remains ready to help our businesses along this transformative journey.

Environmental, Social and Governance ("ESG") will also continue to be on the agenda as Malaysia works towards achieving net-zero carbon emission by year 2050. Although there has been a lot of conversation on ESG in 2023, I think this conversation will continue as businesses begin to actively strategise and make decisions premised upon ESG principles, and then finding solutions to measure the impact of the measures they have taken.

As a firm, we continue to invest in our people and our technology to ensure that we are ready to be the firm that our clients and stakeholders can continue to rely on to provide high-quality work.

As you go through our Transparency Report for the financial year ended 31 December 2023, we hope that it would provide you with insights into our commitment to delivering high-quality audits.

**Andrew Heng**



## Message from the **Managing Partner, Audit & Assurance**

Over the past year, auditors have experienced significant activity within the industry. Despite encountering hurdles like talent competition, regulatory shifts, and inflationary pressures, Baker Tilly Malaysia remains steadfast in maintaining the integrity and quality of our audits. We achieve this through a robust system of checks and balances, along with defined policies, procedures, and thorough monitoring and review processes.

As business practices evolve, the audit industry must also adapt, particularly in automation and digitalisation to enhance the speed and focus of our work delivery. Investing in technology has become an expectation, not only from our talents but also from various stakeholders.

This year, we have seen improved talent retention and significant increase in the number of audit staff, aligning with the heightened demand for our services and our commitment to maintaining quality. Our strategy of having a dedicated team specialising in Initial Public Offering reporting work, established some time ago, has also yielded positive results in terms of quality of our work and our ability to retain top talent.

Our partners have continued to contribute to the accounting community by actively participating in boards and committees of professional accountancy bodies. Through these involvements, our partners not only offer their expertise and time but also stay abreast with the evolving accounting landscape, reinforcing our commitment to contributing to and enriching our community.

Overall, our strategic initiatives have strengthened our position in Malaysia, with the International Accounting Bulletin ("IAB") ranking Baker Tilly Malaysia as the 6th largest accounting firm in the country in their 2023 survey.

We trust that this report provides insights into how our values and integrity as a professional firm are reflected in our practices and attitudes towards our community.

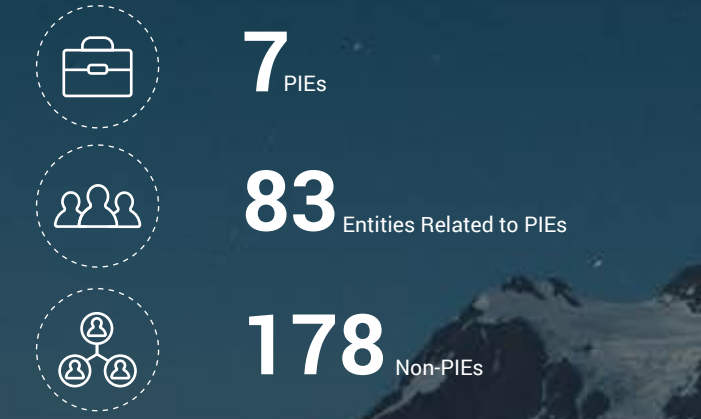
**Dato' Lock Peng Kuan**



Baker Tilly Malaysia  
**FY2023 Audit Quality Performance**

**Audit Partner Workload**

All Audit Partners	Public Interest Entity ("PIE") Audit Partners
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**Auditor Independence**

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

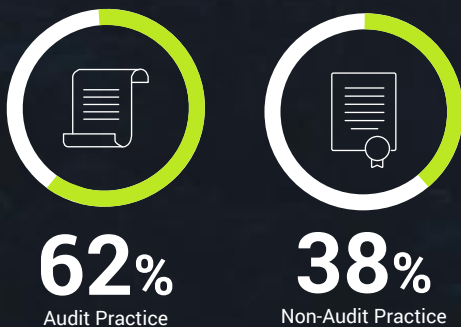
Proportion of Fee Income Derived from Audit Clients

Average Actual Training Hours Attended by Audit Personnel



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

Ratio of Audit Personnel to One Quality Control Personnel



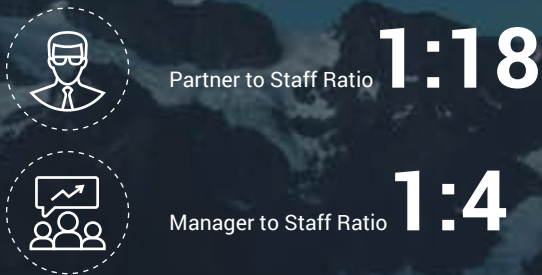


## Capacity & Competence of the Audit Practice

### Staff Turnover Rate



### Audit Engagement Supervision



### Audit Personnel Composition



### Years of Audit Experience



### Audit Professional's Professional Qualification



<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 147 audit personnel have completed their tertiary education from universities and colleges, majoring in accounting and auditing related subjects, of which 35 have passed their final examinations as specified in Part I of the First Schedule of the Accountants Act, 1967 (i.e., Bachelor of Accounting (Honours)) and are eligible to apply for MIA membership once they have gained relevant work experience.



**PART A:**  
Legal and Governance Structure



6<sup>th</sup>

Largest Accounting and  
Business Advisory Firm  
(IAB Ranking 2023)



10  
Offices



900  
Talents

## Introduction to **BAKER TILLY MALAYSIA**

**Baker Tilly Malaysia** ranks the 6th largest accounting and business advisory firm in Malaysia with offices in Kuala Lumpur (Headquarters), Seremban, Batu Pahat, Johor Bahru, Penang, Melaka, Segamat, Kota Kinabalu and Labuan, as well as an office in Phnom Penh, Cambodia.

With more than 45 years of experience in Malaysia and a vast network of professionals and specialists spanning across 141 territories in the world through Baker Tilly International, our Firm is well-equipped to provide audit and assurance, taxation, corporate advisory, global business solutions, internal audit and risk advisory, corporate recovery and restructuring, forensic and litigation support and technology consulting 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 our work and how it contributes to the governance of corporations. We believe that the quality of audit ultimately helps propel businesses in their growth journey. 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' unique 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 trust, integrity, and accountability we foster with our clients. We strive to be a trusted partner that our clients can rely on for years to come in delivering quality work.

Our  
Purpose

## Now, for tomorrow

At Baker Tilly, we care about you and the impact you make. Our global team of local experts is here to help you unlock your growth potential through good corporate governance because the steps you take today define your tomorrow.

## Our 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 Malaysia.



### Family

At Baker Tilly Malaysia, 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 Malaysia started its journey more than 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 Malaysia 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

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 ("IPO")
- Capital Markets Transaction Reporting
- Integrated Reporting
- Accounting Advisory Services
- Other Services - Special Audits, Limited Review, Agreed Upon Procedures, Scrutineers



### Internal Audit & Risk Advisory

Internal audit is a mandatory requirement for all companies listed on the Bursa Malaysia (Malaysia Stock Exchange). Such audits can be conducted in-house or outsourced to a firm such as Baker Tilly Malaysia. As auditors to many publicly listed companies in Malaysia and surrounding countries, Baker Tilly Malaysia is well positioned to conduct internal audits for all sizes of companies in various industries.

Our Internal Audit services include:

- Strategic Partnering & Co-sourcing
- Internal Audit Co-sourcing
- Pre-IPO Internal Control Framework Readiness Review
- Staff Secondment / Outsourcing for Internal Audit Staff
- Information Technology Audit Services
- Regulatory Compliance Auditing (e.g. Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 ("AMLA") Compliance)
- Corporate Governance Compliance Assessment
- Section 17A Malaysia Anti-Corruption Commission ("MACC") Act Compliance Review
- ESG Assurance Review
- Quality Assurance Review
- Sarbanes-Oxley S404 Review

Our Risk Advisory services include:

- Enterprise Risk Management ("ERM") Framework Development and Board Advisory
- Board/Management Training on Emerging Topics such as MACC S17A, Corporate Governance, ESG
- Sustainability Framework Development and Report Development
- Standard Operating Procedures Development for Operational, Financial and Administrative Processes
- Delegation of Authority Limits Development
- Business Continuity Plan Development



## Taxation

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.

Our Taxation services include:

- Global Tax Solutions
- 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 & Defence, including Dispute Resolution
- Capital Allowances Studies & Planning
- Tax Incentives Planning & Applications
- Customs Duties, Sales and Service Tax Planning & Advisory



## Corporate Recovery & Restructuring

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.

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



## Forensic & Litigation Support

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.

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

We are licensed by the Securities Commission Malaysia to advise on several types of corporate finance and advisory services, including corporate exercises by PIE in Malaysia.

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
- Employee Share Option Scheme ("ESOS") Valuations



### Global Business Solutions

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.

Our Global Business Solutions services include:

- Outsourcing of Finance, Accounting and Operation Functions
- Provision of On-site Finance, Accounting and Operation Functions
- Support Services for Start-ups and Small Medium Enterprises ("SMEs")
- Payroll Management Services
- Human Resource Administrative Services



### Technology Consulting

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 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



## Our Continuing Commitment to Sustainability

Sustainability and climate change are among the most pressing problems facing the world today and have moved to the top of the agenda for many organisations. Investors, regulators, and stakeholders across society are demanding increasingly high quality and further transparency of ESG information from organisations to facilitate decisions about investment, assess long term value, and evaluate joint efforts to overcome global challenges.

At Baker Tilly Malaysia, we support the initiatives undertaken by the regulators, standard setters and various other bodies in improving the quality, reliability and comparability of sustainability reporting. Amongst the examples of our involvement in improving sustainability reporting and assurance are:

- 1 Being part of MIA's Sustainability Assurance Working Group
- 2 Providing support and feedback to professional bodies on the sustainability assurance engagement standard (International Standard on Sustainability Assurance 5000 *General Requirements for Sustainability Assurance Engagements*)
- 3 Being a Member of Baker Tilly International's ESG Advisory and Assurance Working Groups
- 4 Leading the ESG working group established by Baker Tilly's Asia-Pacific ("APAC") Audit and Assurance Committee
- 5 Participating in the Association of Chartered Certified Accountants' ("ACCA") roundtable on the Advisory Committee on Sustainability Reporting ("ACSR") Consultation

In 2022, Bursa Malaysia Securities Berhad introduced the Enhanced Sustainability Reporting Requirements for both the Main Market Listing Requirements and the ACE Market Listing Requirements, with the aim to elevate the sustainability practices and disclosures of listed issuers. This was followed by the Illustrative Sustainability Reporting Guide in 2023. Amongst others, the Enhanced Sustainability Reporting Requirements mandate the disclosure on whether the Sustainability Statement has undergone assurance. As regulation on these disclosures continues to expand, stakeholders are increasingly expecting reliable, as well as timely sustainability data that will allow them to make informed decisions.

### Providing assurance on sustainability reporting

As sustainability reporting continues to be an area of development globally and through Baker Tilly Malaysia's suite of ESG services, we aim to enable our clients to build, manage, and report on their ESG journey to provide trust and confidence to stakeholders and to future proof their business, which includes:

- ESG Advisory
  - Stakeholder Engagement, Materiality Assessment & Prioritisation
  - ESG Report Development
  - ESG Strategy & Transformation Development
- ESG Assurance
- ESG Reporting Software

Our assurance procedures are conducted in accordance with the approved standard for assurance engagements in Malaysia. Furthermore, in response to the escalating focus on sustainability reporting, we have conducted training sessions to introduce and equip our personnel with relevant technical knowledge and skills required to work on the sustainability-related engagements, including sustainability assurance.

## 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, Melaka, Segamat, 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 Monteiro Heng Tax Services Sdn Bhd	198501002811 (135253-M)	Private Limited Company	Tax Advisory & Consultancy
4	Ferrier Hodgson MH Sdn Bhd	199801003667 (459793-W)	Private Limited Company	Insolvency & Advisory
5	FHMH Corporate Advisory Sdn Bhd	200701016946 (774955-D)	Private Limited Company	Advisory & Consultancy
6	Baker Tilly MH Advisory Sdn Bhd	201601028011 (1198950-T)	Private Limited Company	Advisory & Consultancy
7	Baker Tilly Monteiro Heng Governance Sdn Bhd	199501022568 (351771-X)	Private Limited Company	Internal Audit & Risk Advisory
8	Baker Tilly GBS Sdn Bhd	201901029336 (1338665-D)	Private Limited Company	Global Business Solutions
9	Baker Tilly Insolvency PLT	NF2323 (LLP0028871-LCA) (202106000020)	Limited Liability Partnership	Insolvency & Advisory
10	BTMH Academy Sdn Bhd	202201027310 (1473007-X)	Private Limited Company	Training & Consultancy
11	*Baker Tilly (Cambodia) Co., Ltd.	C-00023 (00000157)	Private Limited Company	Audit & Assurance, Tax & Financial Advisory Services
12	*Baker Tilly HYT	AF0218	Conventional Partnership	Audit & Assurance
13	*Baker Tilly MH (Penang) Sdn Bhd	199201008327 (239830-X)	Private Limited Company	Tax Consulting & Other Management Services
14	*Baker Tilly MH Consulting Sdn Bhd	201301038969 (1068792-P)	Private Limited Company	IT Audit
15	*Baker Tilly LSC PLT	AF1435 (LLP0033455-LCA) (202206000038)	Limited Liability Partnership	Audit & Assurance
16	*Baker Tilly LSC Tax Services Sdn Bhd	200601035886 (0755645-D)	Private Limited Company	Tax Advisory & Consultancy
17	*Baker Tilly ST PLT	AF0833 (LLP0002764-LCA) (201404001328)	Limited Liability Partnership	Audit & Assurance

\* Baker Tilly Malaysia Network member

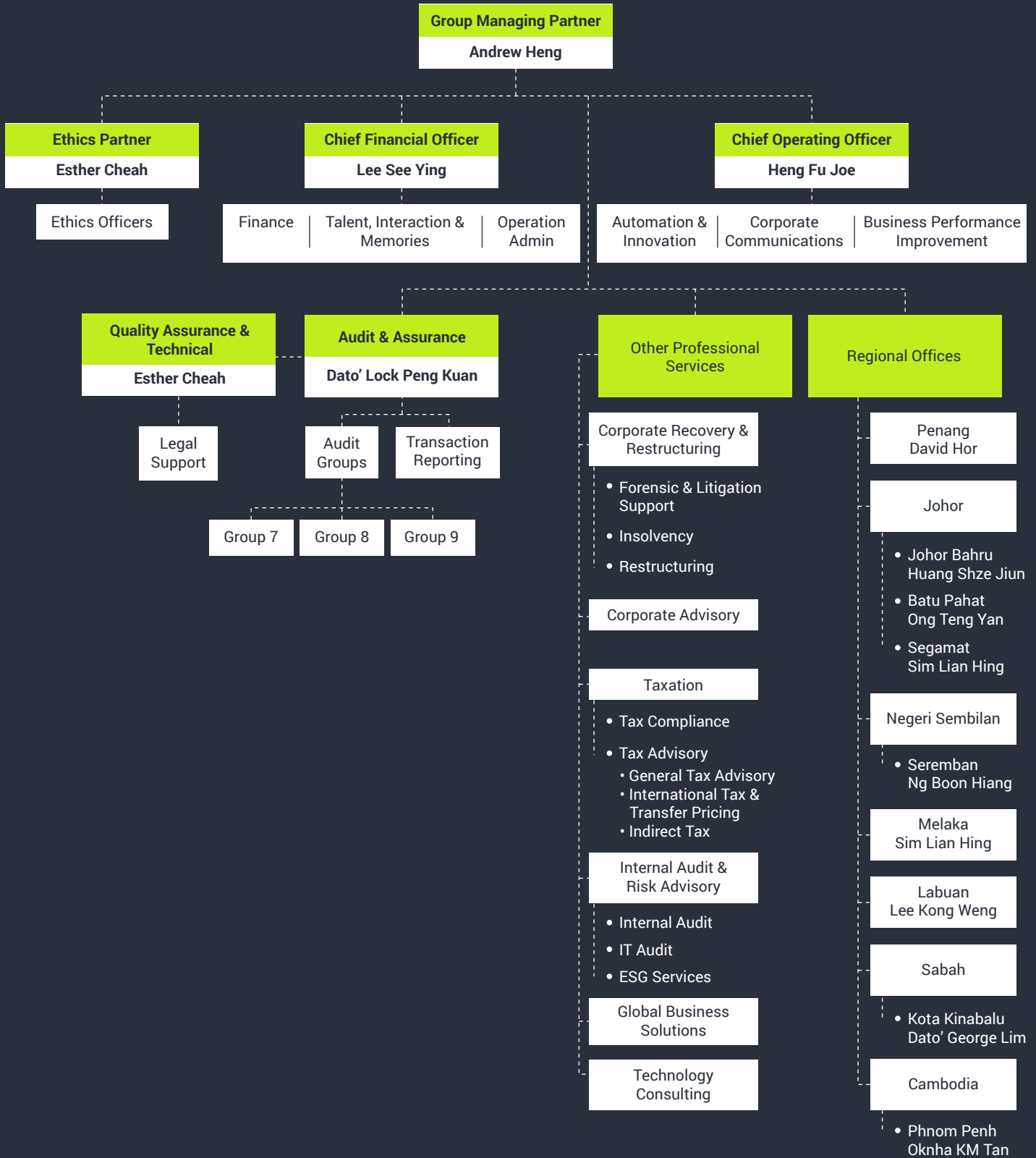
Except for entities that are Baker Tilly Malaysia Network members, the above entities are controlled by the Partners of Baker Tilly Malaysia. Four Partners hold more than 10% equity shares in the partnership, of which three hold between 11% to 20% and one holds between 51% to 60%.

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*

**Heng Fu Joe**  
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, spanning across 141 territories with about 43,000 professionals working in 658 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.

Our people actively play their part in contributing to the overall growth of the International Network. Andrew Heng sits on the board of Baker Tilly International and is the Chair of the Baker Tilly APAC Region, Patrick McPhee is Chair of the Baker Tilly Insolvency & Restructuring Committee of APAC, Esther Cheah is the Chair of the Baker Tilly Audit & Assurance Committee of APAC, and Dato' Lock Peng Kuan is a member of the Professional Standards Committee of Baker Tilly International.

### 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 Global Results 2023



**\$5.2bn**  
2023 worldwide  
revenue (US\$)



**43,000**  
People



**658**  
Offices



**141**  
Territories



Double-digit, like-for-like revenue growth, with only a modest increase in headcount and in such a volatile market, is an incredible achievement and I am grateful for the hard work of all of our 43,000 people who made it possible.

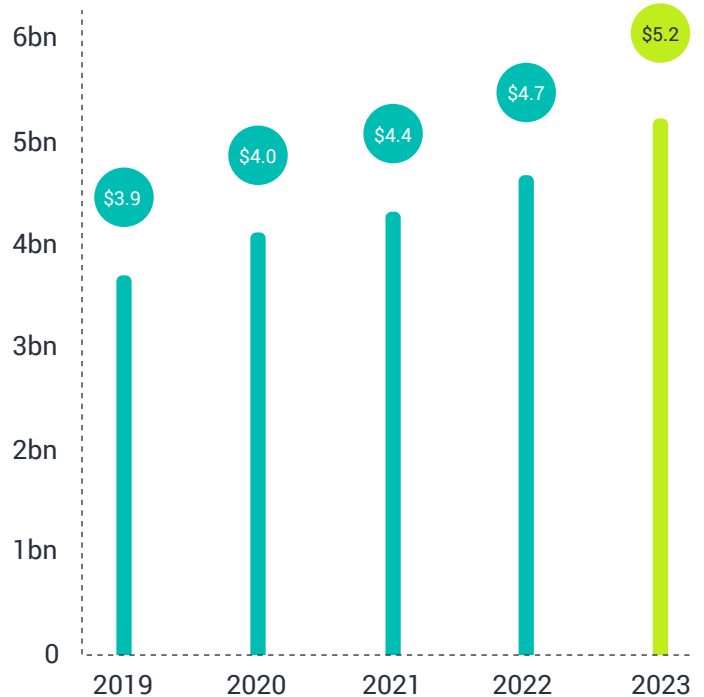
**Francesca Lagerberg**  
Chief Executive Officer  
Baker Tilly International



## Regional Growth in 2023

<b>3%</b>	<b>16%</b>	<b>16%</b>	<b>11%</b>
Asia Pacific	EMEA	Latin America	North America

## Global revenues in US\$



An aerial photograph of a rugged coastline. The image shows steep, rocky cliffs in shades of brown and tan, meeting a deep blue sea. A small, crescent-shaped bay is visible, with a sandy beach. The sky is filled with soft, white clouds, suggesting a bright but slightly overcast day. The overall scene is dramatic and scenic.

## **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.

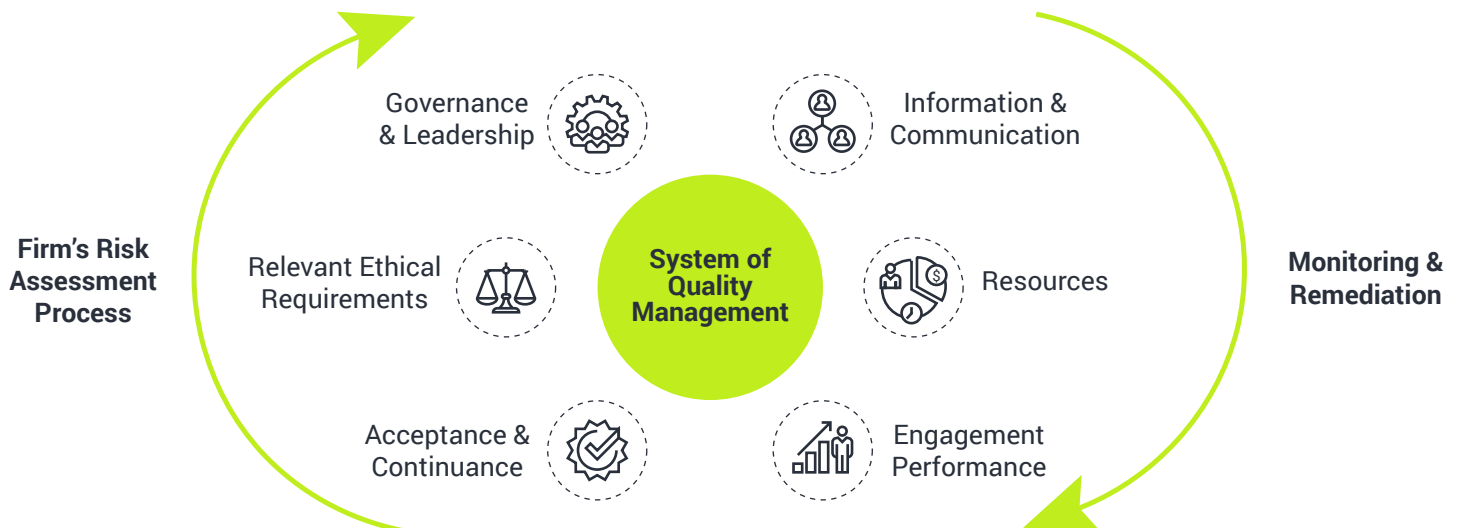
The system of quality management, which is encapsulated in our Baker Tilly Malaysia’s Quality Management Manual, is the mechanism which creates an environment and internal culture that enables and supports engagement teams in performing quality engagements, i.e., to deliver independent and unbiased opinions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

As we reflect on the inaugural year of International Standards on Quality Management (“ISQM”) 1 implementation since its effective date on 15 December 2022, we are pleased to see the noteworthy progress in enhancing the quality of our Firm’s system of quality management. Throughout this period, the Firm diligently adhered to the principles and requirements outlined in the Quality Management Manual, demonstrating a steadfast commitment to upholding the highest standards of quality and professionalism in our services. Through comprehensive risk assessments and continuous monitoring, we have fortified our internal controls, thereby bolstering confidence in the reliability and integrity of our audit and assurance engagements.

The diligent efforts of our personnel, coupled with ongoing training initiatives and proactive communication, have fostered a culture of quality excellence ingrained in every facet of our operations. Looking ahead, we remain dedicated to further refining and optimising our quality management system to ensure it continues to evolve in tandem with regulatory advancements and best practices, reaffirming our unwavering dedication to delivering value and trust to our clients and stakeholders.

## Components of our System of Quality Management

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 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.

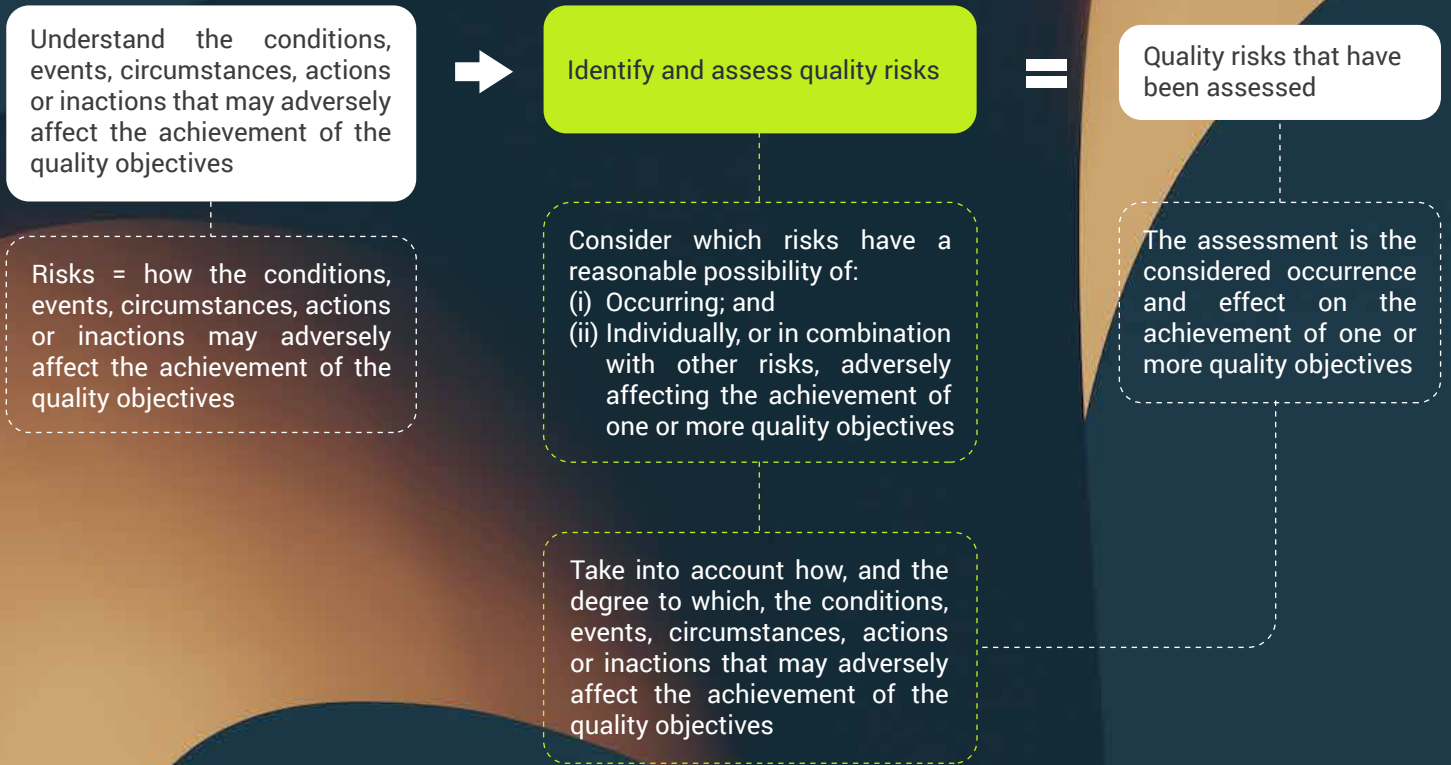
The quality objectives across the components are interrelated. The quality objectives in each component aid the Firm in properly identifying and assessing quality risks because the quality objectives focus the Firm more specifically on what needs to be achieved and what could go wrong in achieving the 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 use 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, complaints and allegations, acceptance and continuance of client relationships, 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 MIA's By-Laws (on Professional Ethics, Conduct and Practice), 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 MIA's By-Laws (on Professional Ethics, Conducts and Practice) which are substantially based on the Handbook of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for 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.



### 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 MIA's By-Laws (on Professional Ethics, Conducts and Practice), 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 PIE audit client;
- an entity that controls, directly or indirectly, that PIE; or
- any entity that is controlled directly or indirectly by that PIE.

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 Relationships 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 relationships only after the engagement partner/ Client Relationships Partner has considered the factors below:

- the integrity and ethical values of the client have been evaluated and there is no information that will lead to the conclusion that the client either lacks integrity or 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 Relationships 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 regulatory and legal 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 & Memories ("TIM") Department, which handles the Firm's human resources matters is responsible for:

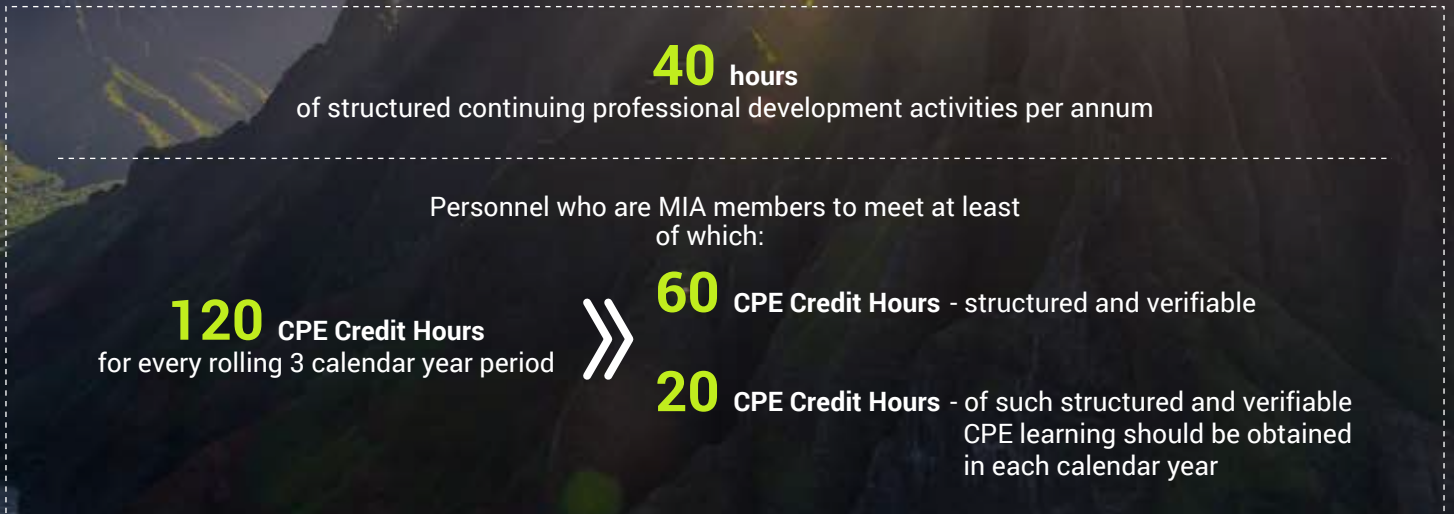
- maintaining human resource policies;
- identifying required policy changes resulting from labour laws and regulations and to remain competitive in the marketplace;
- providing guidance and consultation on matters related to human resource;
- maintaining the performance evaluation appraisal systems;
- 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:



### Technological Resources

Baker Tilly Malaysia is committed to enhancing its audit methodologies and tools with a focus on digitalising the audit process and we continue focusing in 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.



### 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 regulatory and legal requirements, where applicable.

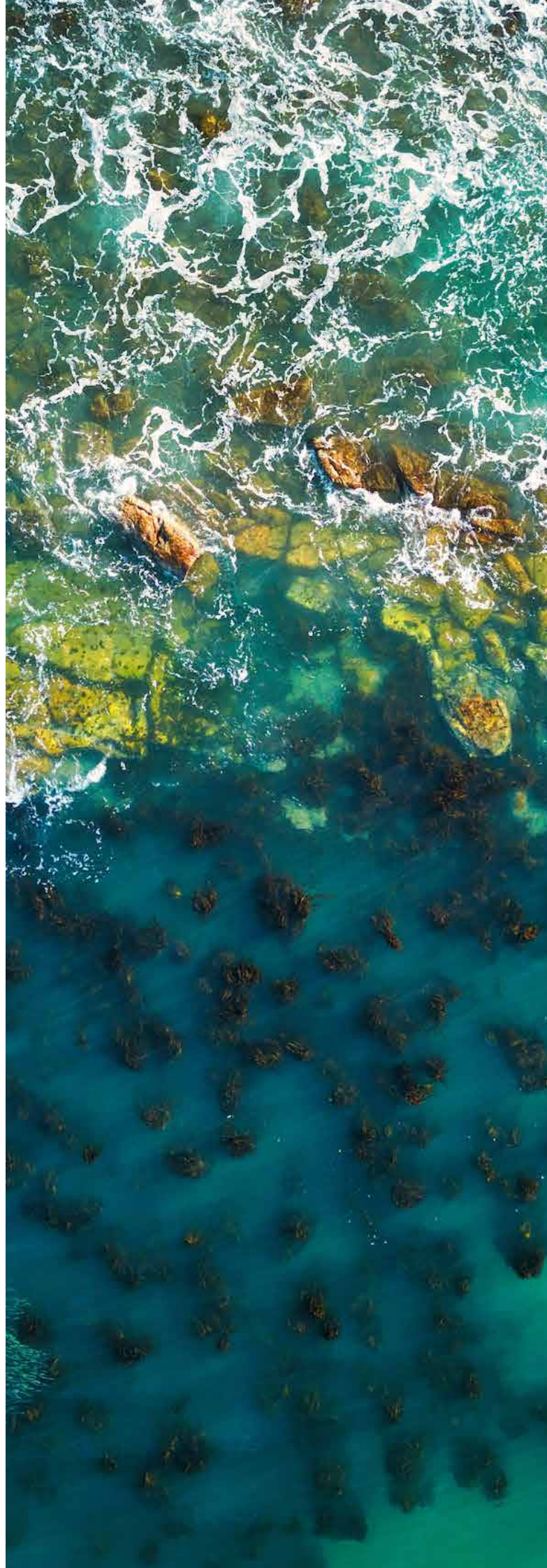
The Firm requires all personnel to be equipped with the necessary and salient intellectual competency as part of personnel's career development to provide support for the Firm's commitment to quality and continued growth. The Firm develops training programmes for all personnel. This covers accounting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

### 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, other network firms or other 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 regulatory and legal requirements. The Firm's overall system is designed to provide reasonable assurance that the Firm, 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.

### 1 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 regulatory and legal 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 ISQM. It is our 'audit language' that ensures a common understanding of consistent, high-quality audit approach and procedures across our network.

Global Focus uses software 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 and localisation are made regularly to address new standards, anticipate emerging audit issues and matters, implementation experiences, as well as external and internal inspection results.

### 2 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.

### 3 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 ongoing challenges faced by engagement teams via the issuance of regular technical consultation paper, updates and 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.

#### 4 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 relationships, before the engagement is accepted and in the case of a continuing client, during the planning phase of the engagement.

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.

#### 5 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.





## 6 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.

## 7 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 internal control system, as well as the requirements by professional standards and applicable regulatory and legal 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.

## 1 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.

## 2 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 relationships or specific engagement had that information been known prior to accepting or continuing the client relationships 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 Malaysia's 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

## 3 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 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 audit clients; and
- The total market capitalisation of the audit firm's PIE clients amounts to above RM15 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 Notice and Anti-Money Laundering 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 listed 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 regulatory and legal 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 our 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.

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 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.

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.

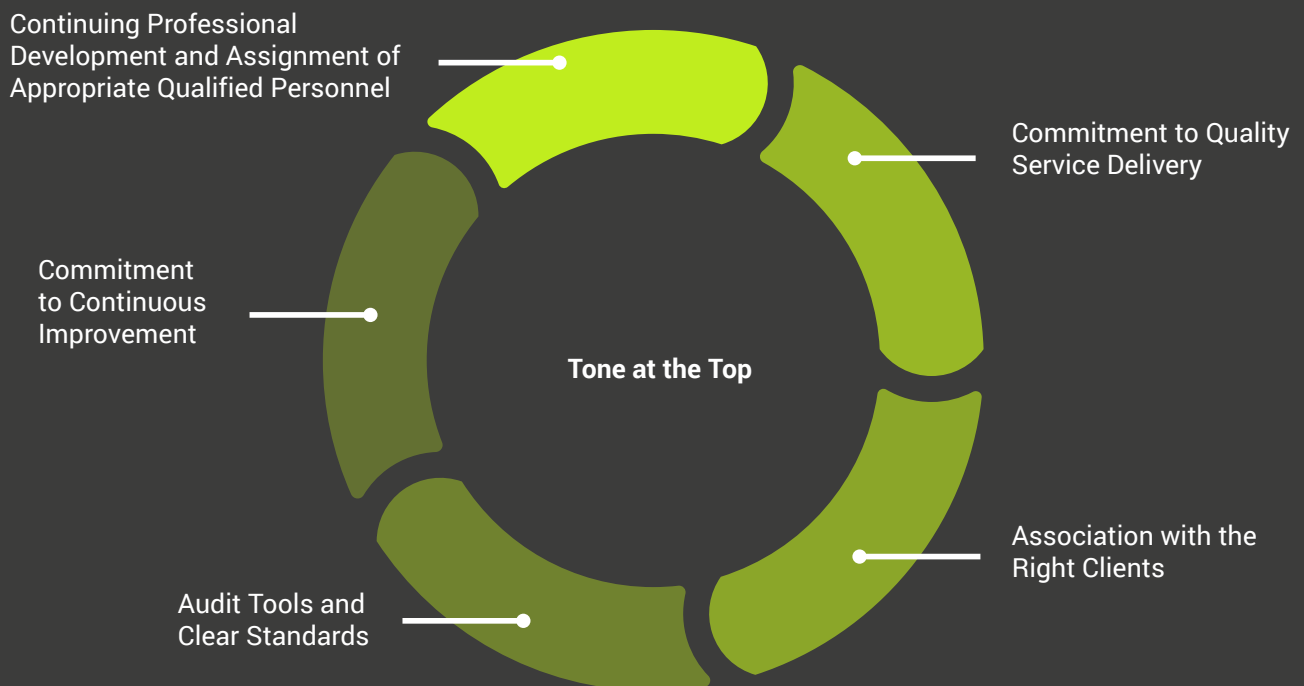
Apart from the monitoring reviews conducted internally, the Firm is also subjected to review by Audit Oversight Board and Baker Tilly International periodically. The review programme by Baker Tilly International is a quality assurance process to monitor and assess whether its members are complying with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



## 1 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.

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## 2 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.

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## 3 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.

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## 4 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's 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.

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## 5 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.

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## 6 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's By-Laws (on Professional Ethics, Conduct and Practice), which are substantially based on the Handbook of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the IESBA, 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 PIE.

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

Where the engagement partner or engagement quality reviewer or any other key audit partners have been involved in the audit of the PIE 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 PIE.

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 PIE, if any.

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

For financial statement audit clients which are not PIEs, 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 MACC 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.

### Anti-Money Laundering Policy

Our Anti-Money Laundering Policy is drafted in accordance with Bank Negara Malaysia's Anti-Money Laundering, Countering Financing of Terrorism, Countering Proliferation Financing and Targeted Financial Sanctions for Designated Non-Financial Businesses and Professions ("DNFBPs") and Non-Bank Financial Institutions ("NBFIs") ("AML/CFT/CPF and TFS for DNFBPs and NBFIs") 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 when performing Gazetted Activities.

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 ("AMLA") and the roles of compliance officers and senior management in implementing relevant anti-money laundering, countering financing of terrorism and countering proliferation financing measures.

### 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.

### 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.

### Other Regulatory Disclosures

There is no litigation currently faced by Baker Tilly Monteiro Heng PLT.



## 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 Managing Partner and assisted by an audit partner. 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 relationships. 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.

A scenic landscape featuring a calm lake in the foreground. On the left, a dense line of trees with vibrant golden-yellow foliage stands along the shore. On the right, a single, gnarled tree with golden leaves is partially submerged in the water. In the background, a range of rugged mountains with patches of snow or light-colored rock rises against a sky filled with dark, heavy clouds. The overall mood is serene and atmospheric.

**PART C:**  
**Audit Quality Indicators**

## Audit Quality Indicators

This section presents the Firm's audit quality indicators ("AQIs"), essential metrics providing valuable insights into factors influencing the quality of our professional services. AQIs serve as crucial benchmarks enabling us to focus on areas necessitating behavioral shifts and quality enhancements. They empower our Firm to uphold a high standard of audit quality with independence, objectivity and ethical integrity, essential for sustaining public and stakeholder trust. By continually monitoring and addressing AQIs, we reinforce our commitment to supporting our personnel, thereby ensuring the consistent delivery of reliable and robust audit services.

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

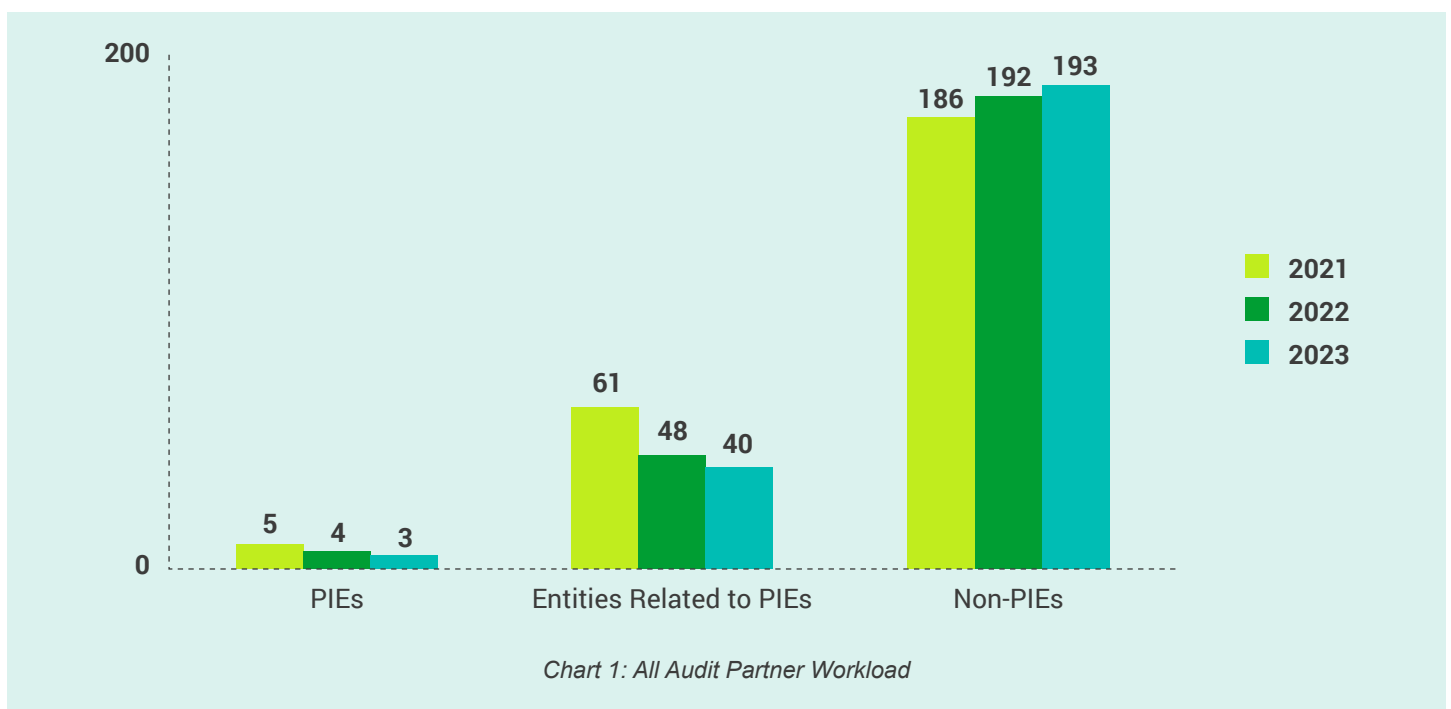
### Audit Partner Workload

An audit partner's workload can have a significant impact on the quality of 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.

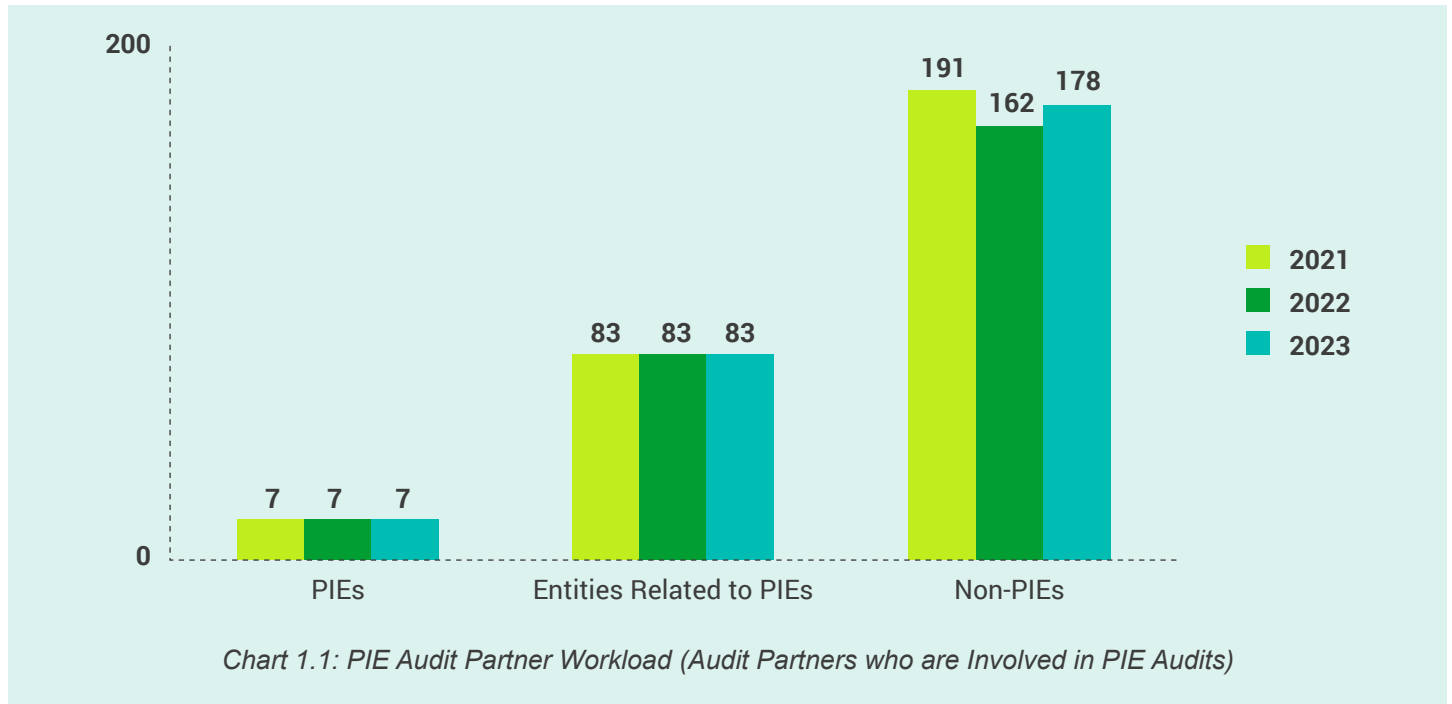
The audit partner's workload is derived by dividing the number of entities (under the categories PIE, Entities Related to PIEs and Non-PIEs) by the number of audit partners who undertake the role as the engagement partner for the audits of these categories.

As of 31 December 2023, we have 23 licensed audit partners of which 13 of them are registered with the Audit Oversight Board ("AOB").

Chart 1 depicts the average audit partner workload, the calculation of which includes all 23 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.



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.



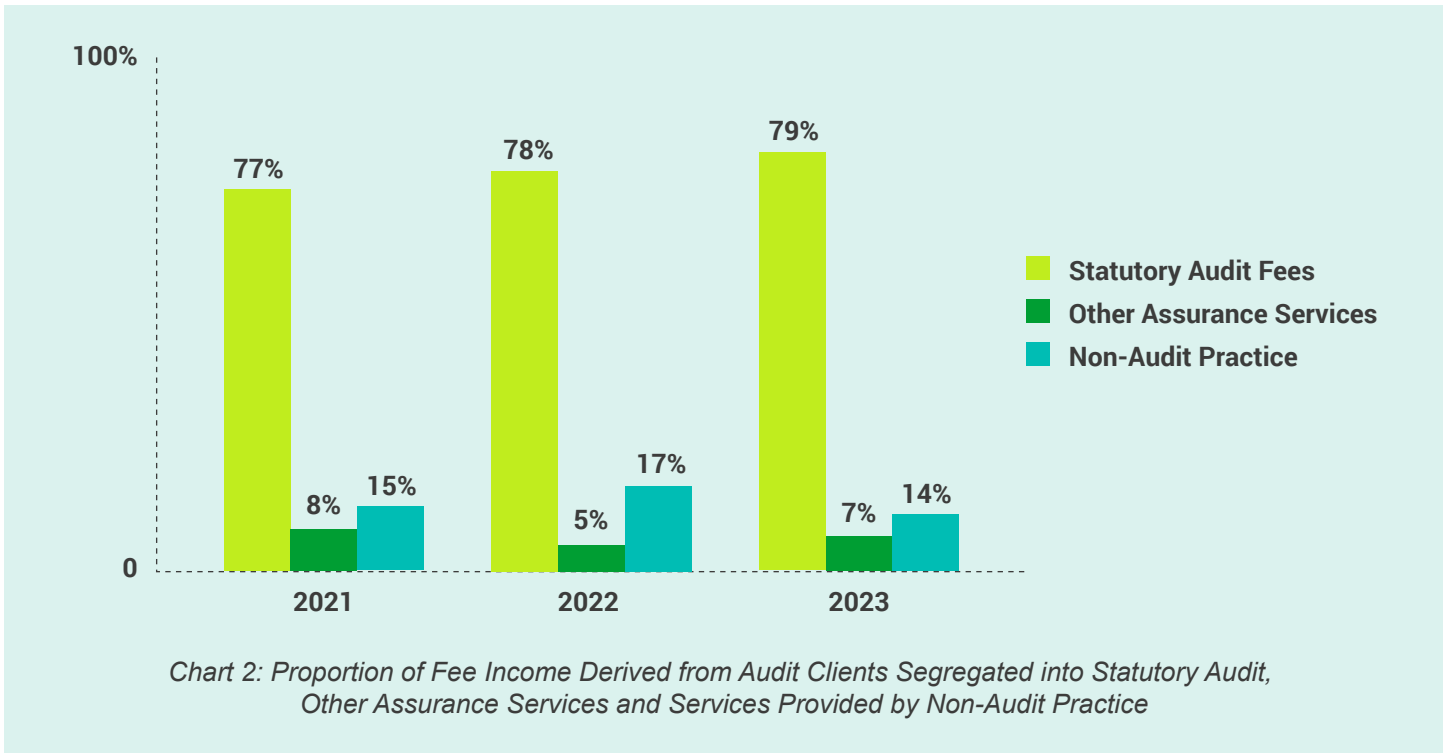
## Auditor Independence

The public scrutiny surrounding the provision of non-assurance services by audit firms to their audit clients underscores a critical concern regarding auditor independence and objectivity, particularly when the fees derived from offering non-assurance services are substantial. Consequently, our Firm prioritises this aspect to safeguard compliance with provisions of the MIA's By-Laws (on Professional Ethics, Conduct and Practice), along with other relevant regulatory requirements governing the Firm's independence.

To bolster our efforts in mitigating potential independence risks associated with the provision of non-assurance services to audit clients, our Firm adopts a proactive stance by diligently monitoring and addressing any potential conflicts of interest. This is achieved through the implementation of comprehensive client acceptance procedures, which offer clear guidance to ensure adherence to our ethical and independence standards. Prior to engaging in any non-assurance services for audit clients, we conduct rigorous assessments to evaluate the nature of each service and ascertain its permissibility. Where necessary, we apply appropriate safeguards to uphold our commitment to independence and objectivity, thereby reinforcing trust and confidence in our audit services.

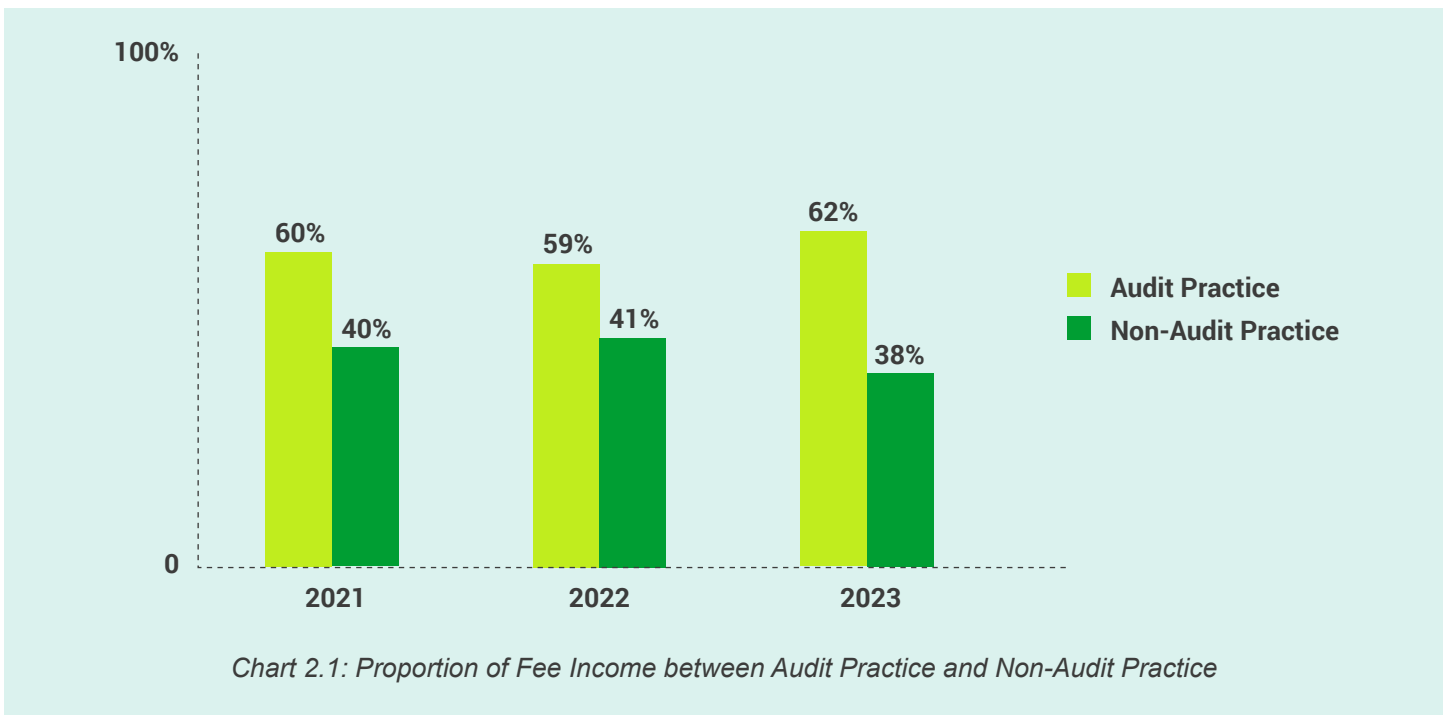
The Firm's client acceptance and continuance processes serve as vital safeguards to ensure that we only accept engagements where we possess the requisite competence and capacity to deliver the level of work expected by both our clients and the profession. These processes also ensure our ability to adhere to ethical and independence requirements without compromise.

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:



Over the last 3 years, statutory audit fees have consistently constituted the major portion of the combined fee income generated from our 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 practice, which contributed 62% to the Firm's total fee income.



There is no instance where the total fees from a PIE audit client and its related entities represent more than 15% of the total fees received.

## Capacity and Competence of the Audit Practice

At Baker Tilly Malaysia, our people are the driving force behind our 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 share the strong sense of responsibility for delivering quality services.

The overall staff turnover rate for audit personnel shown a decrease from 29% in 2022 to 23% in 2023. The implementation of retention strategies and initiatives aimed at enhancing job satisfaction and employee engagement have played a significant role. These initiatives include providing opportunities for professional development, offering competitive compensation packages and improving work-life balance.

Nevertheless, we remain committed to taking proactive measures to retain our talents. In pursuit of this goal, we continue to proactively offer competitive remuneration packages, bolster employee benefits and cultivate a supportive and inclusive workplace culture. Through a diverse array of engaging events and activities, we strive to foster an environment where our employees feel valued, motivated and empowered to excel. By nurturing our talents in such an environment, we are poised to harness their full potential and drive the continued success of the Firm.

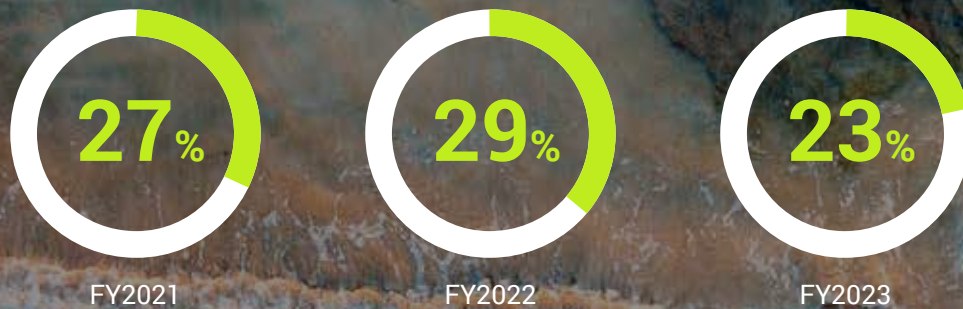


Chart 3: Turnover Rate for Audit Personnel




	FY2021	FY2022	FY2023
 <b>Partners</b>	15	19	23
 <b>Managerial Staff</b>	52	59	78
 <b>Non-Managerial Staff</b>	238	271	327
<b>TOTAL:</b>	<b>305</b>	<b>349</b>	<b>428</b>

Chart 3.1: Headcount of Audit Personnel

	FY2021	FY2022	FY2023
 <b>With professional qualifications and/or MIA membership</b>	53	65	77
 <b>Pursuing professional qualifications and/or MIA membership<sup>N1</sup></b>	153	159	204
 <b>Without professional qualifications and/or MIA membership<sup>N2</sup></b>	99	125	147

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 147 audit personnel have completed their tertiary education from universities and colleges, majoring in accounting and auditing related subjects, of which 35 have passed their final examinations as specified in Part I of the First Schedule of the Accountants Act, 1967 (i.e., Bachelor of Accounting (Honours)) and are eligible to apply for MIA membership once they have gained relevant work experience.

	FY2021	FY2022	FY2023
 <b>Partners</b>	23 years	23 years	25 years
 <b>Managerial Staff</b>	11 years	10 years	11 years
 <b>Non-Managerial Staff</b>	3 years	2 years	2 years

Chart 3.3: Average Years of Experience by Staff Role



Partners



Managerial Staff



Non-Managerial Staff

	Partners	Managerial Staff	Non-Managerial Staff
<b>Less than 1 year</b>			
FY2021	0%	19%	40%
FY2022	16%	29%	50%
FY2023	9%	24%	51%
<b>Between 1 to 3 years</b>			
FY2021	27%	21%	40%
FY2022	5%	22%	31%
FY2023	13%	32%	37%
<b>Between 3 to 5 years</b>			
FY2021	7%	25%	16%
FY2022	16%	27%	15%
FY2023	17%	12%	9%
<b>More than 5 years</b>			
FY2021	66%	35%	4%
FY2022	63%	22%	4%
FY2023	61%	32%	3%

Chart 3.4: Percentage of Audit Staff with Years of Experience in the Assigned 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. Here at 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.



	FY2021	FY2022	FY2023
 <b>Partner to Staff Ratio</b>	1:19	1:17	1:18
 <b>Manager to Staff Ratio</b>	1:5	1:5	1:4

Chart 4: Staff to Partner and Manager ratio

## Audit Firm's Investment to Uphold Audit Quality

At Baker Tilly Malaysia, as part of our commitment to maintaining the highest standards of audit quality, our Firm places significant emphasis on continuous training and development for our audit professionals. We firmly believe that in order to build upon our people's existing capabilities, it is crucial that they constantly enhance their technical knowledge as well as to hone their critical thinking abilities, refine their soft skills and cultivate a mindset of adaptability.

Our training programmes aim to maintain and empower our people to stay up to date with the latest industry trends, new developments and regulations, such as accounting and auditing standards, 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 auditing and accounting standards and other regulatory changes. These programmes serve as the cornerstone of our continuous professional development framework, empowering our professionals to stay ahead of the curve in an ever-evolving business landscape.




	FY2021	FY2022	FY2023
 <b>Partners</b>	63 hours	87 hours	116 hours
 <b>Managerial Staff</b>	29 hours	59 hours	54 hours
 <b>Non-Managerial Staff</b>	27 hours	53 hours	48 hours

Chart 5: Average Actual Training Hours Attended by Audit Personnel

## Quality Control Functions

At Baker Tilly Malaysia, we recognise the paramount importance of quality and risk management within our audit function, which is why we place emphasis on our quality control function. This function is dedicated to providing comprehensive support to our audit personnel, including staff training, technical consultation on accounting and auditing matters, as well as maintenance of audit manuals, policies and guidance materials. Through this support, we aim to keep our audit professionals up to date with new developments in relevant areas. Moreover, our quality control function actively engages with local regulators and standard setters, fostering a dialogue that enables us to stay abreast of regulatory changes and industry best practices, thus further enhancing the quality and effectiveness of our audit engagements.

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 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 6 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.




	FY2021	FY2022	FY2023
 Risk Management	2	3	3
 Training	2	3	3
 Technical	5	6	5
<b>TOTAL:</b>	<b>9</b>	<b>12</b>	<b>11</b>

Chart 5.1 Headcount of Quality Control Functions


	FY2021	FY2022	FY2023
 Risk Management	1:34	1:29	1:39

Chart 5.2 Ratio of Quality Control Headcount to Audit Personnel

The Firm observed an increase in the ratio of quality control headcount to audit personnel, primarily attributed to the increase in staff headcount. In year 2023, in addition to the headcount of quality control functions illustrated in Chart 5.1, the network firms took proactive steps forward by appointing personnel to specifically focus on risk management, training and technical matters. Recognising the critical importance of maintaining the standards of audit quality, the Firm will continue to put in place dedicated resources to bolster support for audit personnel, ensuring they have the requisite resources and guidance to perform their roles effectively.

**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 reviews
- External monitoring reviews

**Internal Monitoring Reviews**

Our internal monitoring reviews, 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 management 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 management, on an annual basis. This regular scrutiny ensures that our system of quality management is designed, implemented and operated to provide reasonable assurance that:

- The Firm and its personnel fulfill their responsibilities in accordance with professional standards and applicable legal and regulatory requirements, and conduct engagements in accordance with such standards and requirements; and
- Engagement reports issued by the Firm or engagement partners are appropriate in the circumstances.

*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.

The latest internal monitoring review was conducted in 2023 by our Quality Assurance & Technical department:

Internal Monitoring Review	FY2021	FY2022	FY2023
 <p><b>Quality Assurance &amp; Technical Department</b></p>	<p><b>4</b></p> <p>Audit Engagement Files Reviewed</p>	<p><b>3</b></p> <p>Audit Engagement Files Reviewed</p>	<p><b>4</b></p> <p>Audit Engagement Files Reviewed</p>

During the financial year 2023, annual evaluation on the Firm's systems of quality management has been performed. The conclusion of the evaluation is that the system of quality management provides reasonable assurance that the objectives of the system of quality management are being achieved.

An internal monitoring review was also conducted at the engagement level. Over the last three years, the audit engagements subjected to internal monitoring review did not have material findings. This outcome is a testament to the effectiveness of the Firm's internal monitoring and quality management processes.

The results of our 2023 inspection provided valuable insights into our quality management 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 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 system of quality management and the degree of compliance with the requirements of the ISQM 1. An engagement review aims to assess the degree of compliance with auditing and ethical standards of an audit engagement carried out by an auditor.

Findings identified in relation to firm reviews generally relate to compliance with the requirements of the ISQM 1. For engagement reviews, findings are deficiencies that are individually critical, which may have an impact on the basis of audit opinion. However, findings do not necessarily suggest that the affected PIEs’ financial statements contain a material error or its internal controls in respect of financial reporting are materially weak. In the case of an audit engagement, findings are usually in relation to the sufficiency and appropriateness of audit procedures and audit evidence obtained or the basis of judgements in relation to key aspects of an audit.

External Monitoring Review	FY2021	FY2022	FY2023
 <b>Audit Oversight Board</b>	No Inspection Conducted	<b>5</b> Audit Engagement Files Reviewed	<b>3</b> Audit Engagement Files Reviewed

In 2023, the Firm was subjected to inspection by the AOB. The inspection included an assessment of the Firm’s compliance with the requirements outlined in ISQM1, as well as a review of three selected audit engagements. These engagements pertained to the audits of financial statements for the years ended 31 December 2021, 31 March 2022 and 30 June 2022.

The 2023 regular inspection reported that there were some areas for improvement, which serves as a valuable reference point for the Firm’s quality programmes and improvement activities.

For the review at engagement level, none of the issues raised during the regular inspection required any modifications to audit opinions or restatements of financial statements. The findings are in relation to the sufficiency and appropriateness of audit procedures to support the conclusions reached for areas such as impairment assessment of property, plant and equipment and the occurrence, accuracy and completeness of revenue.

There have been no instances where the authorities or regulators have taken action on the Firm or its audit partners during the year.

### *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. Baker Tilly International has implemented the Quality Improvement Framework to ensure that all member firms provide services meeting the highest standards of quality and professionalism.

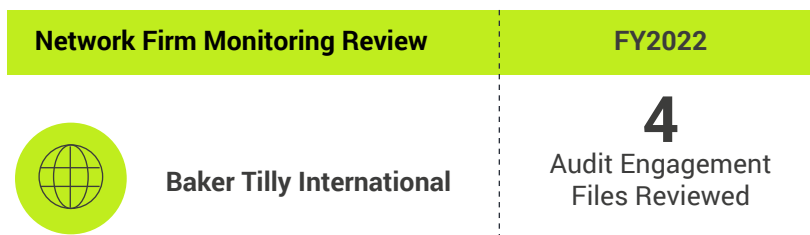
The framework includes responsibilities such as maintaining a system of quality management that complies with ISQM 1, performing audit work that complies with applicable International Standards of Auditing and IESBA's International Code of Ethics for Professional Accountants. This includes regular self-assessments, as well as implementing corrective action plans to address any identified issues.

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 ISQM 1 and the extent of any external review to which the member may be subject.

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 management as well as the Firm's compliance with its system of quality management 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.



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.

# Appendix

List of Baker Tilly Malaysia's PIE Clients as at 31 December 2023

Company Name	Market
Advance Synergy Berhad	Main
Alam Maritim Resources Berhad	Main
Amlx Holdings Berhad	Leap
Aneka Jaringan Holdings Berhad	Ace
APB Resources Berhad	Main
Autocount Dotcom Berhad	Ace
Avillion Berhad	Main
AWC Berhad	Main
Bahvest Resources Berhad	Ace
B.I.G. Industries Berhad	Main
Binastra Corporation Berhad (FKA Comintel Corporation Bhd)	Main
CAM Resources Berhad	Main
Central Global Berhad	Main
Citaglobal Berhad	Main
Cloudpoint Technology Berhad	Ace
Crest Builder Holdings Berhad	Main
Cyberjaya Education Group Berhad (FKA Minda Global Berhad)	Main
Daythree Digital Berhad	Ace
Eco World Development Group Berhad	Main
Econframe Berhad	Ace
Esthetics International Group Berhad	Main
Evergreen Fibreboard Berhad	Main
Farlim Group (Malaysia) Bhd	Main
FCW Holdings Berhad	Main
Federal International Holdings Berhad	Main
Fibromat (M) Berhad	Leap
Genetec Technology Berhad	Main
Go Innovate Asia Berhad (FKA Ace Innovate Asia 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
K-One Technology Berhad	Ace

Company Name	Market
K. Seng Seng Corporation Berhad	Main
Leon Fuat Berhad	Main
LYC Healthcare Berhad	Ace
ManagePay Systems Berhad	Ace
Manforce Group Berhad	Leap
Meta Bright Group Berhad	Main
Mitrajaya Holdings Berhad	Main
Ocean Vantage Holdings Berhad	Ace
OCK Group Berhad	Main
OCR Group Berhad	Main
Pappajack Berhad	Ace
PCCS Group Berhad	Main
Plenitude Berhad	Main
Poh Kong Holdings Berhad	Main
Privasia Technology Berhad	Ace
Radium Development Berhad	Main
Samchem Holdings Berhad	Main
Sarawak Cable Berhad	Main
Seni Jaya Corporation Berhad	Main
S & F Capital 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
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 Bhd	Main
Varia Berhad (FKA Stella Holdings Berhad)	Main
Volcano Berhad	Ace
WCE Holdings Berhad	Main
Willowglen MSC Berhad	Main
YLI Holdings Berhad	Main

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