



Baker Tilly Transparency Report

31 December 2021

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Message from the Group Managing Partner

We are proud to present to you our Transparency Report for the year ended 2021. This is the first year that the Transparency Report is published on our website, but the second year of Transparency Reports from Malaysian audit firms with more than 50 Public Interest Entity audit clients whose combined market capitalisation is above RM10 billion. Therefore, although Baker Tilly provides a suite of professional services, this Report will primarily focus on our audit and assurance services.

The requirement for transparency from audit firms is a further emphasis of the responsibilities and roles that auditors play in providing assurance to stakeholders, and the importance of our role as gatekeepers in the corporate governance ecosystem.

As we enter the 3rd year of living with the COVID-19 virus, there is an increasing reliance from stakeholders on the quality of the audit carried out on financial

statements as companies start to recover from the impact of the pandemic.

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

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

Andrew Heng



Message from the Managing Partner Audit And Assurance

We are pleased to present the Baker Tilly Malaysia Transparency Report for the year 2021.

This is the second Report for the firm and it continues to provide readers with insights into our structure and approach to quality control, governance, independence, continuing professional education, and the processes that have been put in place to monitor the system of quality control on an ongoing basis.

Maintaining a high standard of quality has been fundamental to our success and our growth. Responsibility for quality starts at the leadership team, reinforced through constant and consistent communication, through the enforcement of a rigorous quality control system that complies with the International Standards of Quality Control.

The role of professionals has become increasingly important in light of the current world events. Being

part of a global accounting network, the breadth and diversity of our skills are enhanced by our ability to bring together the best ideas from across the network. This also provides us with the global influence to advocate for changes to laws and regulations to be in tune with the way businesses are conducted, through our active representation in a range of global committees and leadership groups. As a firm, we also believe in the need to continuously evolve, innovate and improve ourselves in order to remain current and relevant.

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

Dato' Lock Peng Kuan

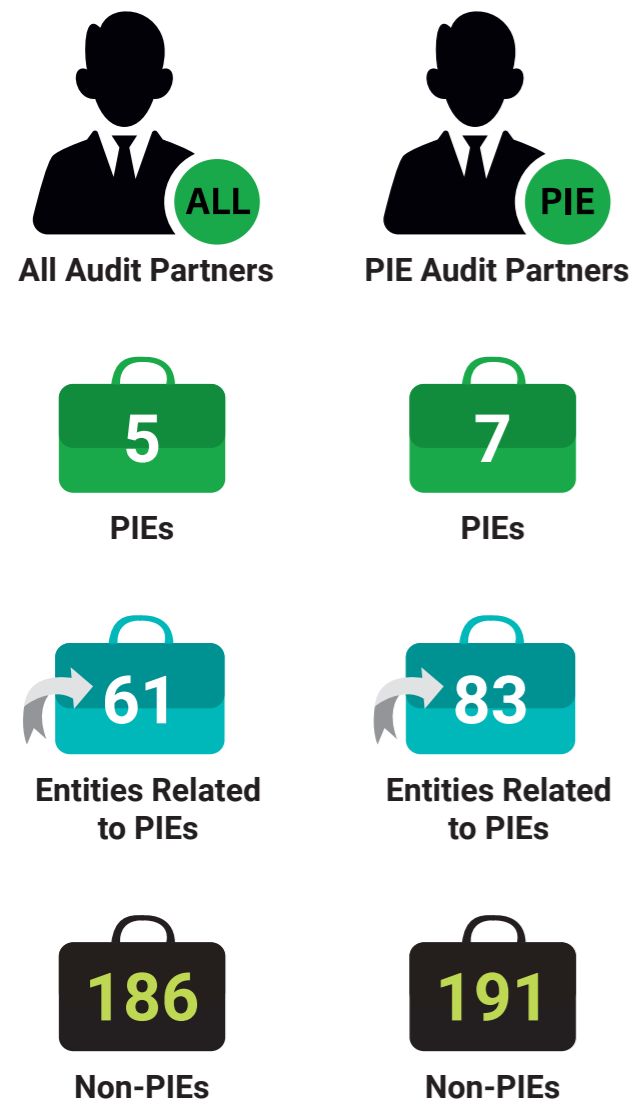
2021 Baker Tilly Malaysia At A Glance

Key Highlights 2021

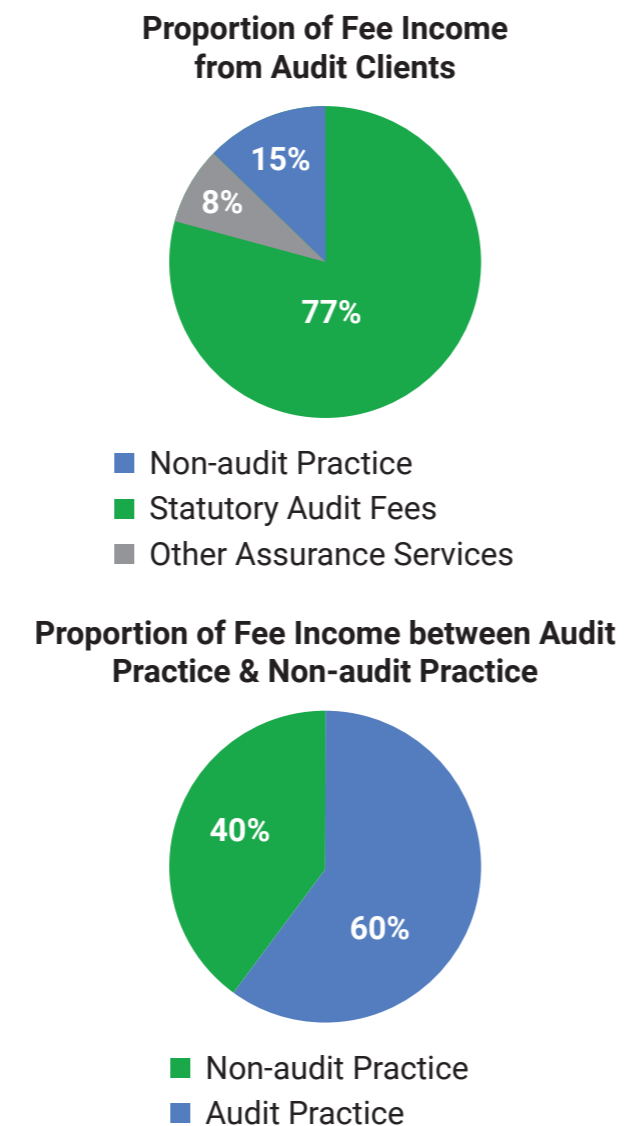
Total Audit Personnel Headcount



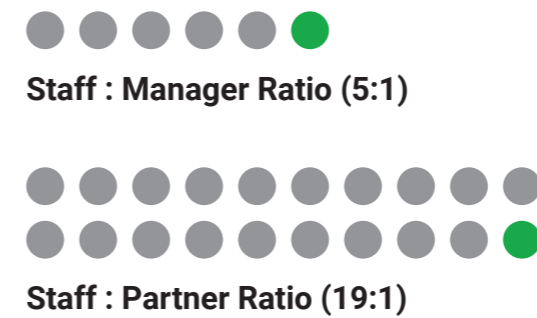
Average Partner's Workload



Proportion of Fee Income



Staff to Partner & Manager Ratio



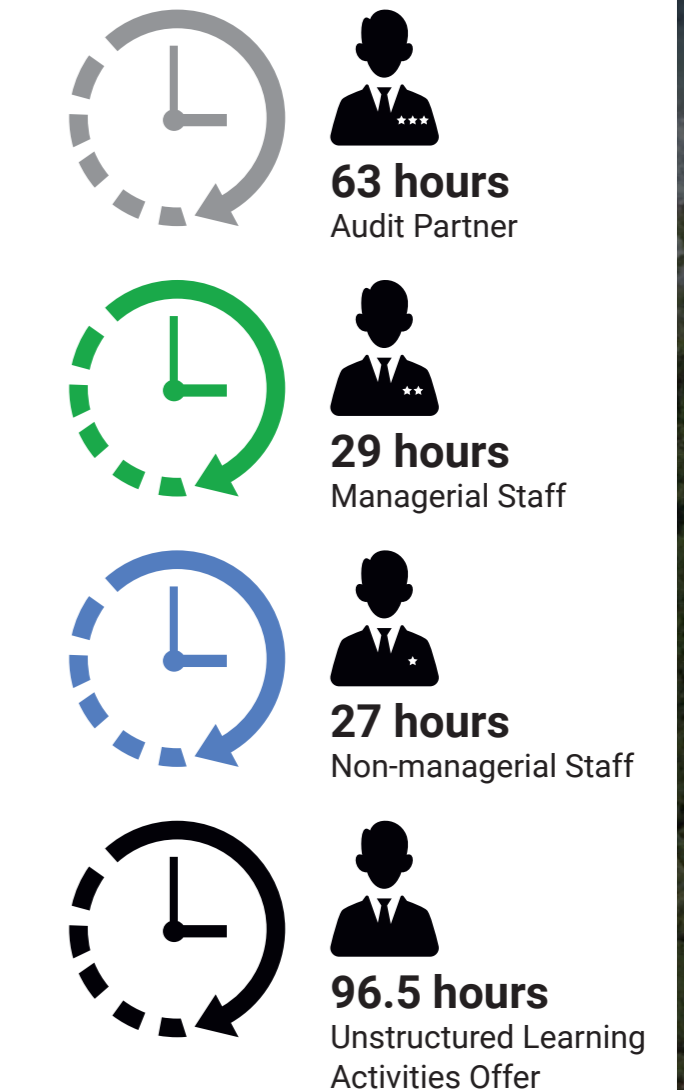
Headcount of Quality Control Function



Monitoring Review



Average Actual Training Hours Attended by Audit Personnel





Part A:

Legal and Governance Structure

Introduction to **Baker Tilly Malaysia**

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

With more than 40 years of experience in Malaysia, strengthened by our access to an international network of professionals and specialists spanning across 148 territories, we have an edge and the capacity to provide high quality audit & assurance, tax, financial advisory and global business solution services to multinational corporations, publicly listed corporations, organisations in the public sector, small and medium-sized corporations, as well as owner-managed businesses, private individuals and entrepreneurs, across all industries.

We pride ourselves for being able to assist our clients in converting ambition to reality through the provision of proactive, genuine, and meaningful services. Our success comes from a Partner-led, client-focused approach that we adopt in every engagement, supported by both our in-house and international specialist technical teams.



Our Purpose

Now, for tomorrow

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

Our Brand Pillars

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



Our Core Values and Culture



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.



Family

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



Entrepreneurship

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



Humility

Baker Tilly started its journey 40 years ago with very humble beginnings. Although we have grown to be a force to be reckoned with, we believe in keeping ourselves humble and remembering our roots. Adopting a humble mindset allows us to be willing to listen and learn, and enables us to be open to new ideas and continuously improve ourselves.

Our Services

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

Audit & Assurance

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

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

Our Audit & Assurance services include:

- Statutory financial statements audit
- Reporting accountants & Initial Public Offerings
- Capital markets transaction reporting
- Internal audit and risk advisory
- Technical Generally Accepted Accounting Principles (GAAP) consulting
- International Financial Reporting Standards (IFRS) reporting
- Corporate reporting
- Accounting advisory services
- Other services – special audits, limited reviews, agreed upon procedures, scrutineers

Taxation

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

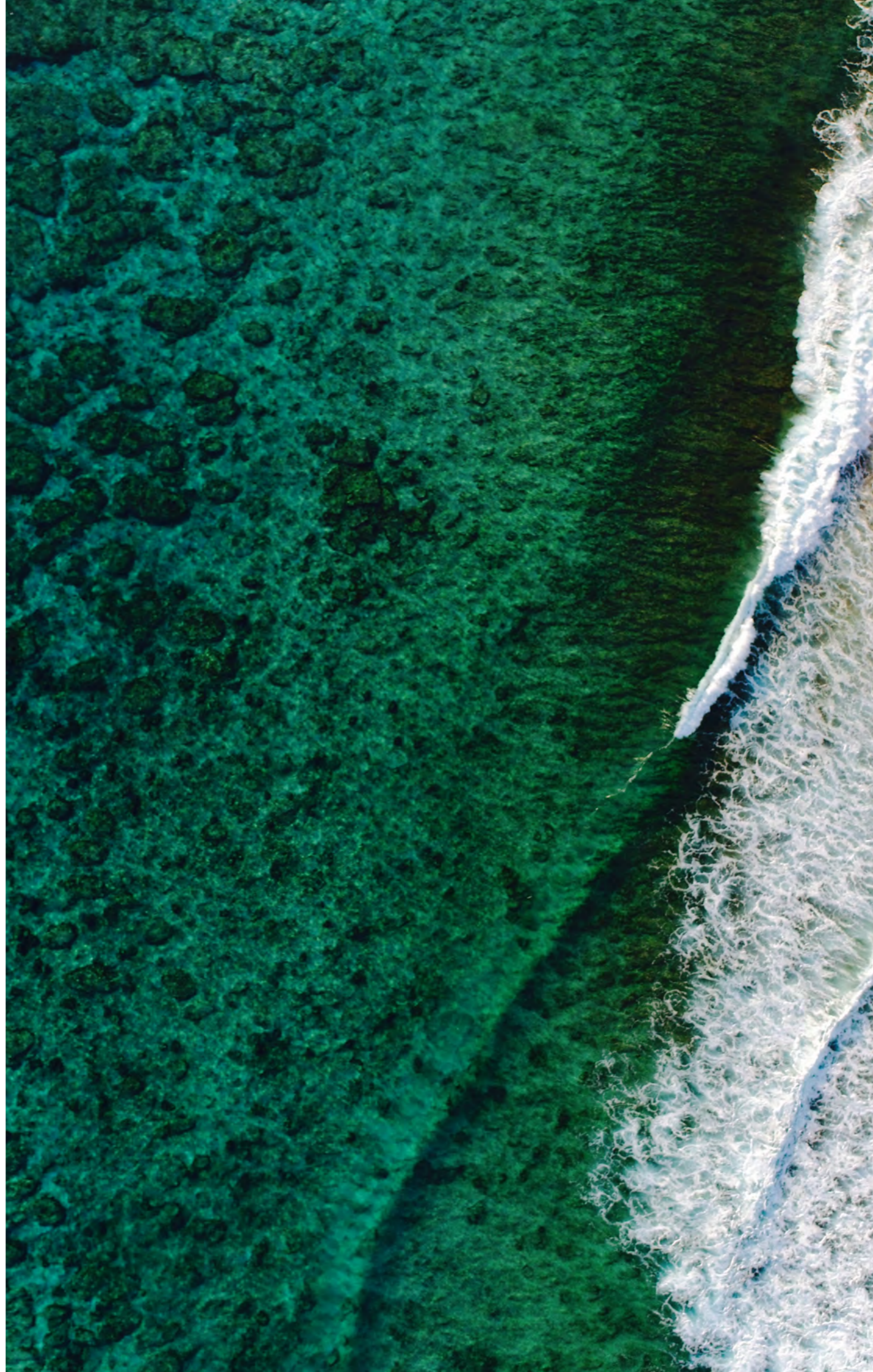
To be on top of things requires an in-depth understanding of the constantly-evolving tax laws and regulations, both internationally and domestically. Most individuals and organisations generally find it challenging to navigate through the minefield of 'tax-traps' and pitfalls.

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

We are the experts, and this is our job.

Our Taxation services include:

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



Corporate Recovery & Restructuring

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

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

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

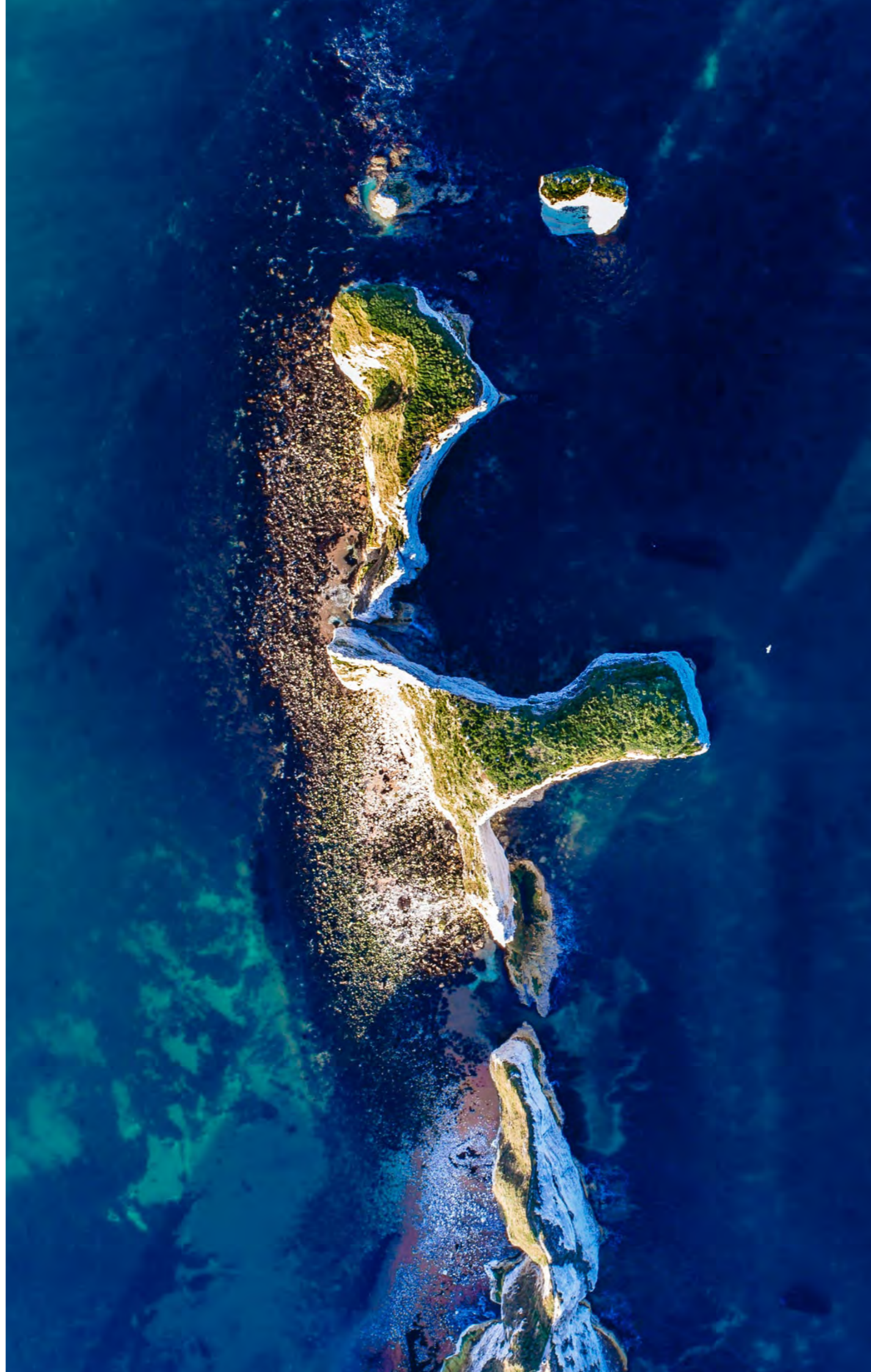
Forensic & Litigation Support

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

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

Our Forensics & Litigation Support services include:

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



Corporate Advisory

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

Our Corporate Advisory services include:

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

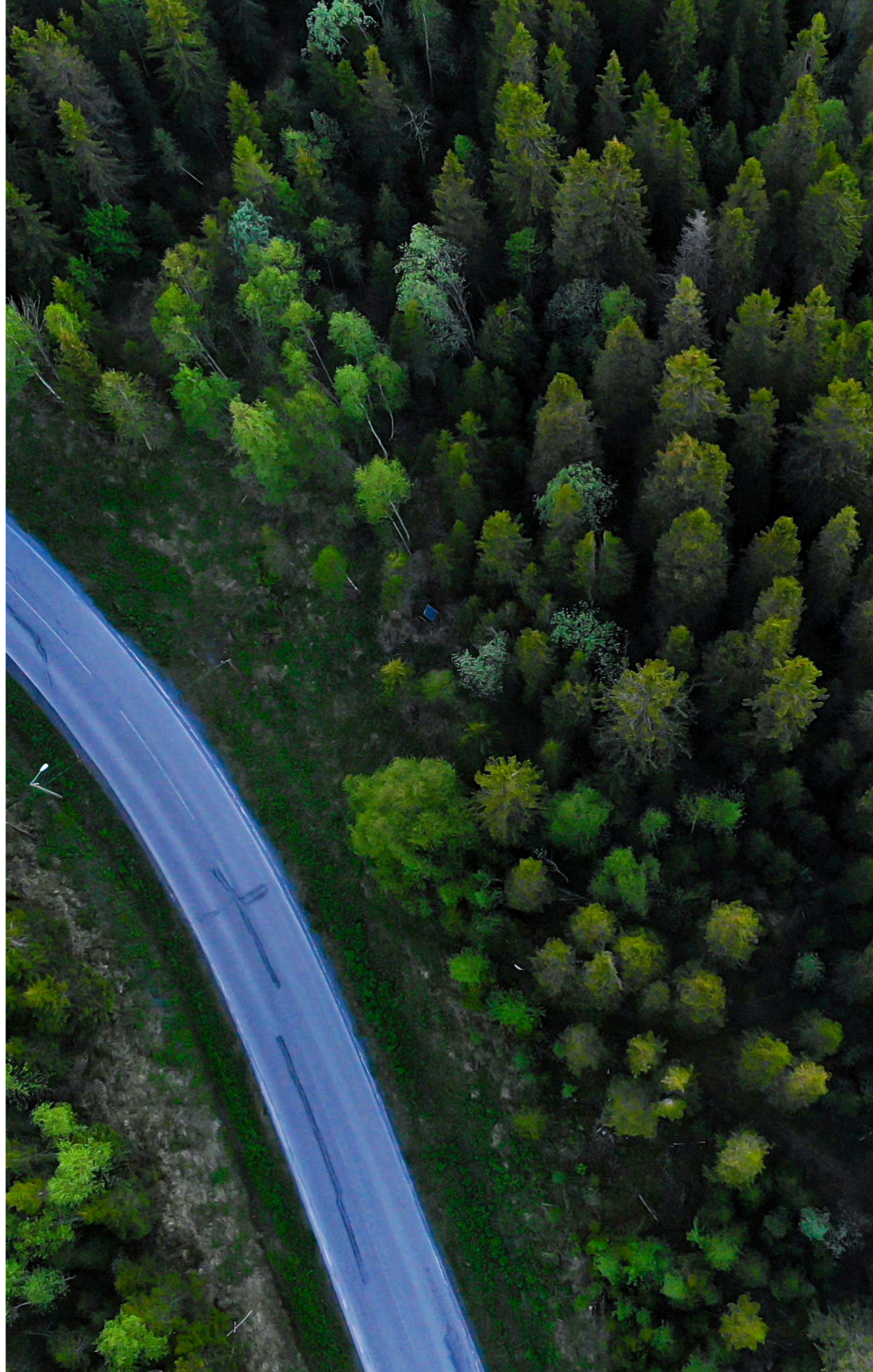
Global Business Solutions

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

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

Our Global Business Solutions services include:

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



Technology Consulting

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

Our Technology Consulting Services include:

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

Legal and Ownership Structure

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

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

* Baker Tilly Malaysia Network member

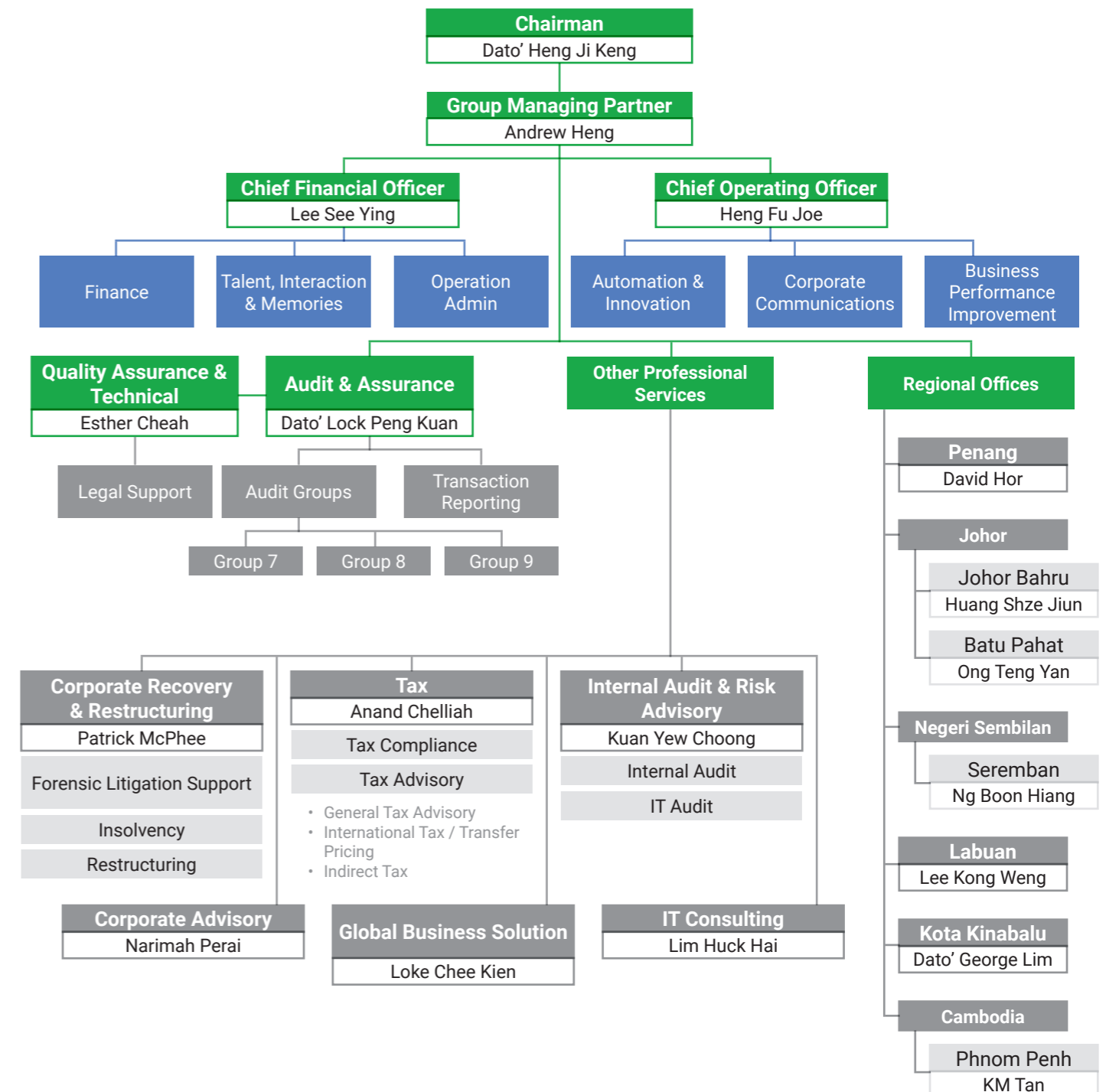
Except for entities that are Baker Tilly Malaysia Network members, the above entities are controlled by the Partners of Baker Tilly Malaysia. Four Partners hold more than 10% equity shares in the partnership, of which three hold between 11% to 20% and one holds between 51% to 60%.

The Chairman, 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, with Dato' Heng Ji Keng as the Chairman, supported by the Managing Partners and Partners of the various business divisions and offices.



Our Leadership Team

Dato' Lock Peng Kuan
Managing Partner
Audit & Assurance

Lee See Ying
Chief Financial Officer

Patrick McPhee
Managing Partner
Corporate Recovery
& Restructuring

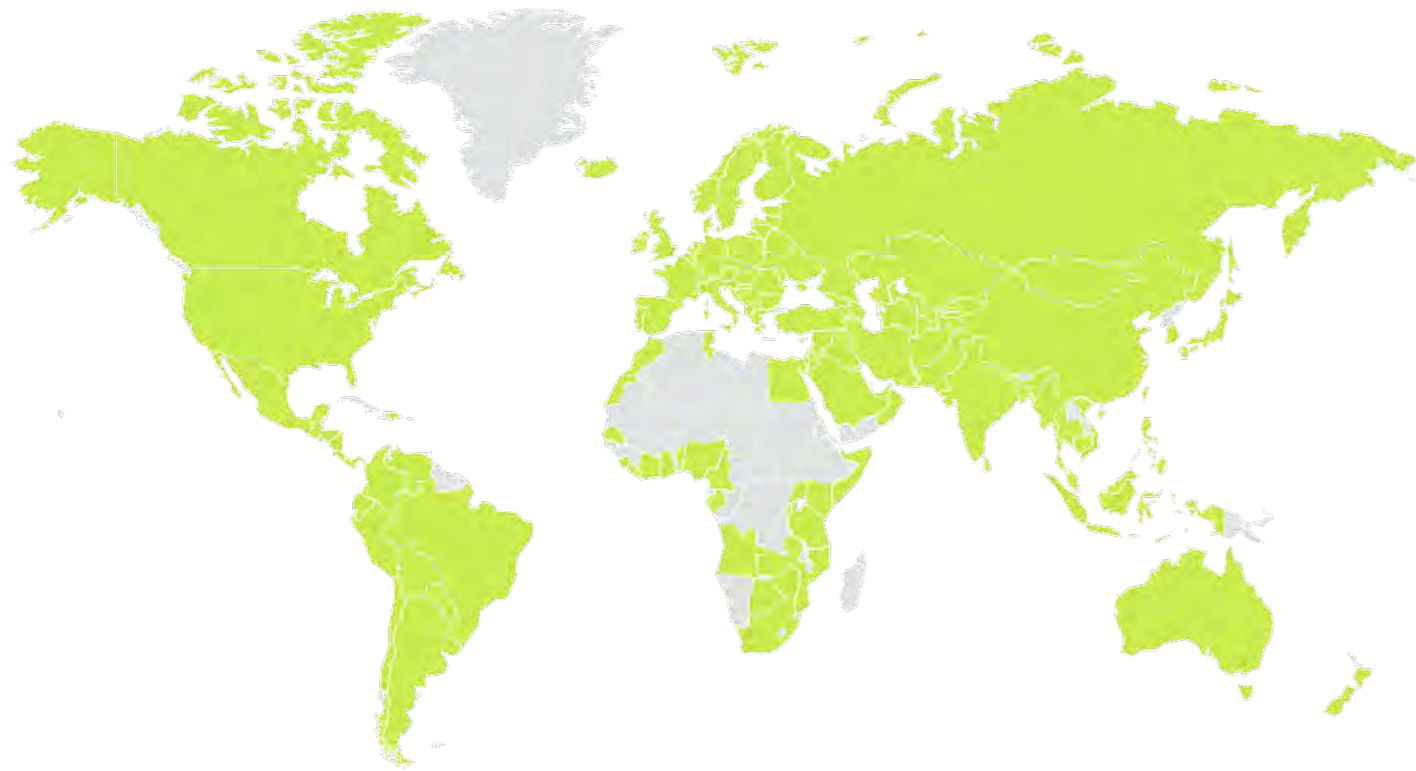
Andrew Heng
Group Managing Partner

Dato' Heng Ji Keng
Chairman

Anand Chelliah
Managing Partner
Tax

Joe Heng
Chief Operating Officer





About **Baker Tilly International**

Baker Tilly Malaysia is an independent member of Baker Tilly International, one of the largest global accountancy and business advisory network spanning across 148 territories with about 38,600 professionals working in 706 offices across the globe.

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

Legal Structure

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

Each governs itself and handles its administrative matters locally, and is responsible for its own liabilities.

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

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

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

Part B:

Upholding Audit Quality and Managing Risks



Internal Quality Control System

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. This is encapsulated in our Baker Tilly Malaysia's Quality Control Manual, which is regularly updated to ensure compliance with the requirements set out in ISQC1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, Other Assurance and Related Service Engagements*. Our system of quality control is designed to not only reflect our drive and determination to deliver independent, unbiased advice and opinions, but also to meet the requirements of Malaysian law and professional standards issued by the regulators and professional standard-setting bodies. The quality control processes are also designed in a way to promote an internal culture that recognises "quality" as essential for the performance of all engagements.

The Baker Tilly Malaysia's Quality Control Manual specifically addresses the following:



Leadership Responsibilities For Quality

The Partners actively lead by example and promote a quality-assurance culture within the Firm through consistent and clear communication that stresses on the importance of quality. 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 of the Audit & Assurance division ("the Firm") has the ultimate responsibility for the Firm's overall quality control system. However, on a day-to-day basis, the Partners are also responsible for ensuring compliance with the Firm's policies and procedures, and for providing comments and feedback on any aspect of quality control as and when required. All staff are also required to comply with the Firm's policies and procedures as a condition upon the commencement of their employment with the Firm.

In addition, the Firm designates the Partners and other qualified staff to be respectively responsible for various elements that constitute the overall quality control system. Their positions and roles are defined as follows:

- The Compliance Partner is responsible for monitoring compliance with the Firm's quality control system. She is also responsible for all complaint and allegation matters.
- The Quality Control Reviewer is responsible for performing engagement quality control reviews.
- The Ethics Partner is responsible for consulting on, and responding to, all matters related to ethics, including independence, conflict of interest, privacy and confidentiality.
- The Human Resource Partner/Director is responsible for all human resource functions, including recordkeeping concerning professional duties such as salaries and continuing professional development.



Relevant Ethical Requirements, Including Independence

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

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

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



Acceptance and Continuance of Client Relationship and Specific Engagements

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

The Firm accepts a new engagement or continues an existing engagement and client relationship only after the Engagement Partner, based on a review process conducted by the (prospective) engagement team, has determined that:

- the integrity of the client has been evaluated, and there is no information that will lead to the conclusion that the client lacks integrity;
- the Firm and the engagement team have the necessary competence, including resources and time, to complete the engagement;
- the Firm, and its partners and staff, can comply with relevant ethical requirements of the MIA's By-Laws (on Professional Ethics, Conduct and Practice);
- the Firm's quality control requirements can and have been met; and
- independence and conflict of interest checks have been performed.

The engagement of a new client or the continuance of an existing client that is high risk requires the agreement by the Managing Partner in writing.

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



Human Resource

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 regulatory and legal 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 staff to each engagement.

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

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

The Managing Partner, Human Resource Partner and Director, Engagement Partners and the Talent, Interaction and Memories Department assess of the Firm's professional service requirements annually to ensure that the Firm has the capacity and competency to meet its clients' needs.

Partners and staff must undertake a minimum of 20 hours of structured continuing professional development activities per annum. In addition, staff who are members of the MIA are required to meet the Continuing Professional Education ("CPE") requirements set out in the MIA's By-Laws (on Professional Ethics, Conduct and Practice), that is, to attain at least 120 CPE credit hours of relevant CPE learning for every rolling 3 calendar-year period, of which 60 CPE credit hours should be structured and verifiable, and at least 20 CPE credit hours of such structured and verifiable CPE learning should be obtained in each calendar year.



Engagement Performance

Through the established policies and procedures of its quality control 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, and its Partners and staff, adequately and properly plan, supervise, and review engagements.

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 work performed by staff is reviewed by more experienced team members, as may be delegated by the Engagement Partner, who is ultimately responsible for reviewing the work of the engagement team.

Audit Methodology

The Firm has adopted Baker Tilly International's audit methodology, Global Focus, to ensure all audit engagements are performed in accordance with professional standards and applicable 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 International Standard of Quality Control. It is our 'audit language' that ensures a common understanding of consistent, high-quality audit approach and procedures across our network.

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

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 an Illustrative Directors' Report and Financial Statements, to guide and assist organisations in preparing 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, as 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.

Quality Assurance and Technical Department

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

The Quality Assurance and Technical team responds to on-going challenges faced by preparers of financial statements via the issuance of regular technical papers and explanatory statements. The team engages with various stakeholders and corporations when working on technical issues on a proactive and regular manner.

Engagement Quality Control Reviewer ("EQCR")

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

EQCRs 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. Their responsibility as the EQCR cannot be delegated to another individual.

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

Consultation Requirements

A consultative environment improves the learning and development process of Partners and staff, and adds strength to the Firm's collective knowledge base, quality control system, 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 staff 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.

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

The Firm and its Partners and staff 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 in opinion on interpretations and applications of Malaysian Accounting Standards Board Approved Accounting Standards, International Financial Reporting Standards, approved standards of auditing in Malaysia and International Standards of Auditing;
- Differences in 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 in opinion resulting from the engagement and quality control review process.

When differences in opinion arise within the engagement team, with those who were consulted, or between the Engagement Partner and the EQCR, the following procedure for resolution is followed:

- Differences in opinion between members within the engagement team are brought to the attention of the Engagement Partner. If the matter is unresolved, the Engagement Partner acts as mediator.
- Differences in opinion between the Engagement Partner and any other member of the engagement team may

be referred to an independent Partner within the Firm, at the discretion of the Engagement Partner.

- Differences in opinion between the Engagement Partner and the EQCR, or between the Engagement Partner and a consultant, is referred to the Managing Partner. If the matter is considered significant, the Managing Partner will consult with other Partners and then inform the parties involved of the Firm's decision.
- Differences in opinion between Managing Partner and the Engagement Partner and if the matter is considered significant, is brought to the attention of Group Managing Partner.

Document Retention

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

The Firm's policy requires that all engagement documentation be retained for at least 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, law, or regulations.



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

In addressing deficiencies, the Firm considers whether these deficiencies indicate structural flaws in the quality control system, which may require amendments to the quality control or documentation system, or demonstrate non-compliance by the Partner or staff, which will require the necessary remedial actions to be taken in accordance with the Firm's monitoring and review framework.

In situations where adverse quality issues/deficiencies on engagements are identified and based on the nature and circumstances of the issues identified, the responsible partner may be subjected to counselling with Managing Partner in the presence of 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 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 control, each Partner is, to varying degrees, responsible for implementing the Firm's quality control 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.



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.

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.

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.

Audit Tools and Clear Standards

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

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

Commitment to 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 control 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 Quality Control Manual.

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 control system. In this connection, regular assessment of the Firm's professional service requirements is carried out in order to ensure that the Firm always has the necessary capacity and competency.

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

Independence

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

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

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

The Partners and staff 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 staff in understanding, identifying, documenting, and managing independence threats, and for the resolution of independence issues that arise before or during engagements.

All Partners and staff 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.

The Ethics Partner ensures that details of all identified independence threats and the safeguards that were applied are recorded in the independence register.



Rotation of Personnel on Audit Engagements

a) Engagement Partners ("EP") and EQCRs, 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 EQCRs on all audit engagements for listed entities and public interest entities.

Each year, the Ethics Partner, as delegated by the audit Engagement Partners, assesses the length of time for which the Partners and EQCRs, including other senior personnel, have participated in the audit of a listed entity or public listed entity. The following requirements are applied:

Where the Engagement Partner or EQCR or any other Key Audit Partners has been involved in the audit of the entity in either capacity, or a combination thereof, for a period of seven (7) years, the individual will be removed from the engagement team and will not participate in the audit until a further cooling-off period has elapsed. A summary of the rotation requirements is as set out below:

Role	Transition Period (15 Dec 2018 - pre 15 Dec 2023)		Full Provisions (from 15 Dec 2023)	
	Time-on (years)	Cooling-off (years)	Time-on (years)	Cooling-off (years)
EP	7	3	7	5
EQCR	7	3	7	3
Other Key Audit Partners	7	2	7	2

Where the senior personnel have been involved in the audit and concludes 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 entity.

Some degree of flexibility over the timing of rotation may be necessary in exceptional circumstances, such as when the Engagement Partner, EQCR 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 EQCR who has not been associated with the engagement team.

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 people in ensuring compliance with the Malaysian Anti-Corruption Commission Act 2009. Clear guidelines on what constitutes a bribe or an act of corruption, as well as information on how to deal with such acts, are provided accordingly.

Personal Data Protection Policy

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

Anti-Money Laundering and Counter Financing Terrorism Policy

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

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



b) Newly Promoted Partner

In evaluating the threats created by an individual's long association with an audit engagement, a firm gives 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), a newly promoted partner is required to make a self-declaration on his/her past involvement in the audit engagement, and this declaration will be verified by the PIE Allocation Partner.

The Ethics Partner will assess the roles undertaken and the length of the newly promoted partner's 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 newly promoted partner must not participate in the audit of the entity if any.

c) Other Personnel

Where personnel are involved in the audit of a listed or public interest entity, and rotation is necessary, the Ethics Partner will identify the replacement personnel and specify the period for which the personnel must not participate in the audit of the said entity. For entities that are not listed entities or public interest entities, when the assessment of the independence of the engagement team concludes that rotation of certain individuals is necessary, the Ethics Partner will identify the replacement(s) and specify the period for which the individual(s) must not participate in the audit of the said entity.



Part C:

Audit Quality Indicators



Risk Management

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

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

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

The Firm maintains a "Client Acceptance and Continuance Risk Matrix" to assess the risk level on the acceptance and continuance of client relationship. Additional risk management or quality control 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.

Audit Quality Indicators

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

Our transparency report focuses on the following AQIs:

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

Audit Partner Workload

The audit partner's workload can affect the amount of attention that he or she will be able to spend on his or her audit engagements. Audit partners' workload has been noted as one of the determining drivers affecting audit quality. Hence, we take the workload of the audit partners seriously and continue to place significant attention on this area to ensure the workload of audit partners are manageable, with sufficient time and resources allocated to every audit engagement, to allow them to direct, supervise, and review their audit engagement effectively.

The average number of audit clients per audit partner who is assigned as Engagement Partner represents the key indicators of the appropriateness of the audit partner's workload within the Firm. It is derived by dividing the number of entities (under the categories Public Interest Entities ("PIEs"), Entities Related to PIEs and Non-PIEs) by the number of audit partners who undertake the role as the Engagement Partner for the audits of these categories.

Chart 1 depicts the audit partner's workload by including 15 audit partners, who are listed in SSM Section 265(4) Form on Notification of Change in the Register of Firm of Auditors, in the calculation.

On the contrary, Chart 1.1 depicts the audit partner's workload by taking into consideration only 11 audit partners who are actively involved in the audit of PIEs. 4 audit partners have been excluded from the calculation as they are not involved in the audit of PIEs. And of these, one is focused on work relating to the leadership of the group and the other is fully dedicated to the quality assurance and technical work of the Firm, including the monitoring review of the Firm's PIE audits, which is a structure designed by the Firm to ensure that the Firm's leadership direction is clear and the quality assurance system of the PIE audits is maintained at highest standards.

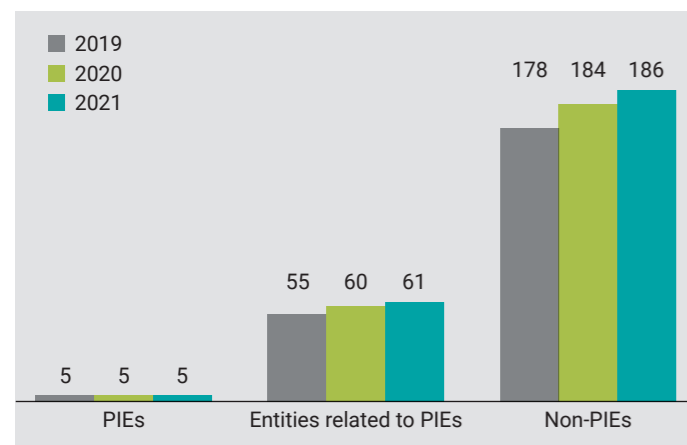


Chart 1: All Audit Partners to Average Number of PIEs, Entities Related to PIEs and Non - PIEs

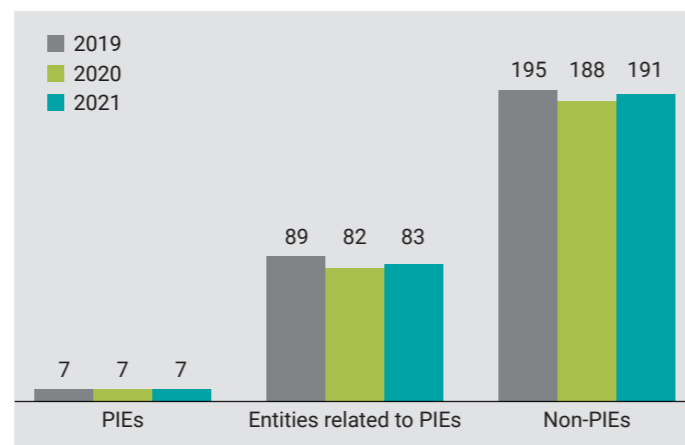


Chart 1.1: PIE Audit Partners to Average Number of PIEs, Entities Related to PIEs and Non - PIEs

Auditor Independence

It is always a public concern whether the provision of non-audit services by audit firms to its audit clients could compromise the auditor's independence, especially when the proportion of fees derived from offering non-audit services is high. Therefore, we always ensure compliance with the MIA's By-Laws (on Professional Ethics, Conduct and Practice) governing the provision of non-audit services to our audit clients, to safeguard our independence.

To further mitigate potential independence risk in the execution of non-assurance services to audit clients, the Firm has implemented client acceptance procedures, which provide guidance to ensure that we always comply with the Firm's ethical requirements, including independence when accepting new non-assurance engagement. As per MIA's By-Laws (on Professional Ethics, Conduct and Practice), before the Firm accepts any engagement to provide non-assurance service to an audit client, a determination is made as to whether providing such a service would create a threat to independence.

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

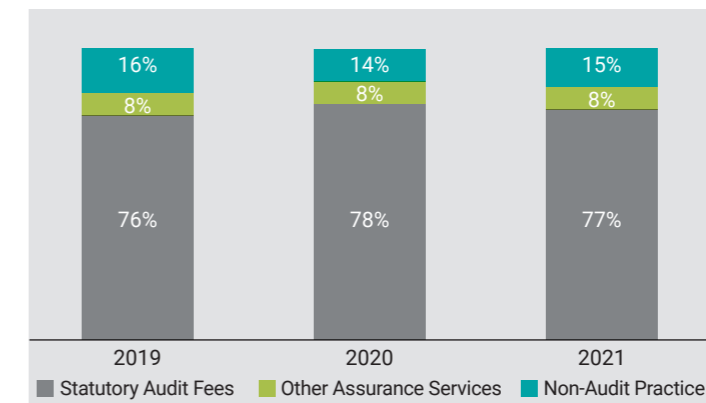


Chart 2: Proportion of fee income derived from audit clients segregated into statutory audit, other assurance services and services provided by non-audit practice

Over the last 3 years, the fee income derived from statutory audit fees continues to be the major contributor to the combined fee income derived from the Firm's audit clients. The fee income derived from the Firm's audit clients for both other assurance services and non-audit practice 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 shown in the Chart 2.1. Similar to Chart 2, the majority of the Firm's total fee income is derived from our audit practices, which contributed 60% (2020: 63%; 2019:62%) to the Firm's total fee income.

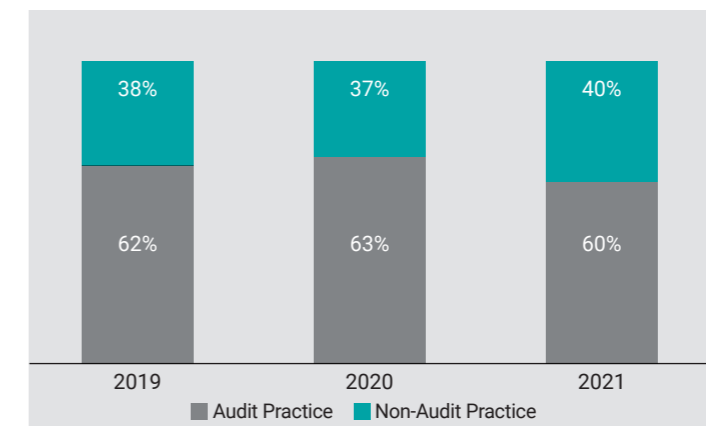


Chart 2.1: Proportion of fee income between audit practice and non-audit practice

Capacity and Competence of the Audit Practice

At Baker Tilly Malaysia, we recognise that one of the fundamental drivers pushing the Firm forward is our people. In an industry where retention of experienced audit staff continues to be a challenge, it is critical that we continue to focus on our people and their professional development. In this connection, our ability to attract and retain the right number of high-quality people is of utmost importance. In line with our mission to continue being “the best place to work”, we position ourselves to strategically attract, recruit, empower and retain staff who share in the Firm’s strong sense of responsibility for delivering high-quality services.

The overall staff turnover rate for audit personnel shows an increase from 16% in 2020 to 27% in 2021 throughout the COVID-19 pandemic. Nevertheless, we will continue to place emphasis on the talent recruitment, as well as actively take various initiatives to retain our talents by offering them competitive remuneration, improving employee benefits and organising events aimed at fostering the development of great relationships within the workplace.

The composition of audit personnel of the Firm comprises of 15 audit partners, 52 managerial audit staff (Directors, Senior Managers and Managers), and 238 non-managerial audit staff (audit seniors and audit associates).

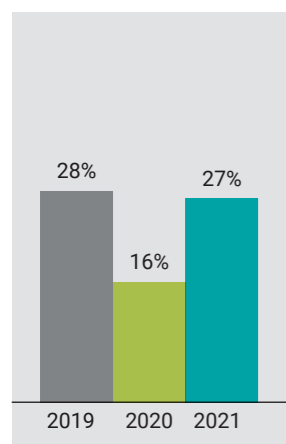


Chart 3: Turnover rate for audit personnel

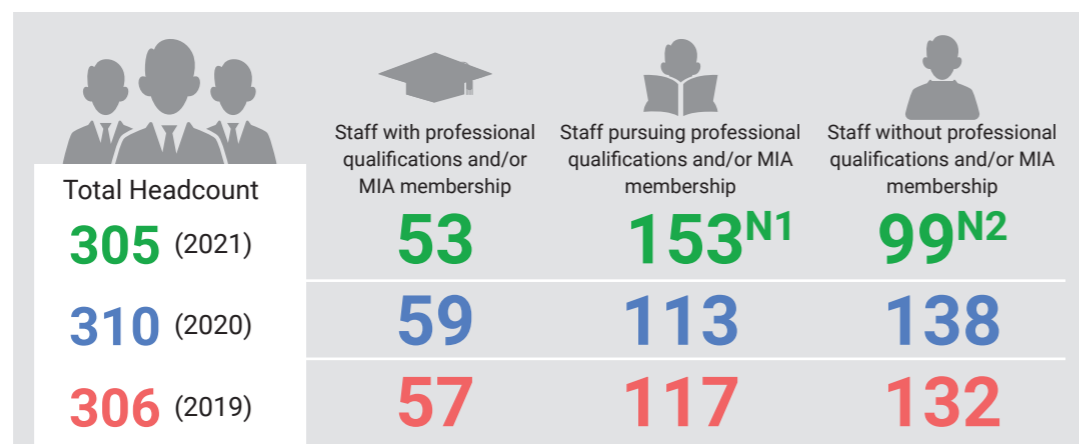


Chart 3.1: Total headcount of audit personnel and headcount of audit personnel with MIA membership and/or member of a professional body

	Partners	Managerial Staff	Non-managerial Staff
2021	23 years	11 years	3 years
2020	22 years	10 years	3 years
2019	21 years	9 years	2 years

Chart 3.2: Average years of experience by staff role

(N1) Completed their professional examinations but have not obtained professional membership and those pursuing their professional examinations.

(N2) All 99 staff have completed their tertiary education, where 47 of them have passed their final examinations as specified in Part I of the First Schedule of the Accountants Act, 1967 and are eligible to apply for MIA membership once they have gained relevant work experience in the firm.

Audit Engagement Supervision

The involvement of audit partners in leading and supervising the overall planning and execution of audit engagements with the support of audit managers is a key driver that affects audit quality. We recognise that on-the-job coaching and supervision by audit partners and managers as the junior staff perform their day-to-day roles is incredibly important for audit quality. The Firm is committed to coaching culture as we believe this helps to unlock the potential in our people, maximises their performance, and helps them contribute to the future success of the Firm.

A lower staff-to-partner and manager ratio indicates that a partner or manager can devote greater attention to supervise the audit engagement team. As illustrated in Chart 4, the ratios have remained fairly constant throughout the years.

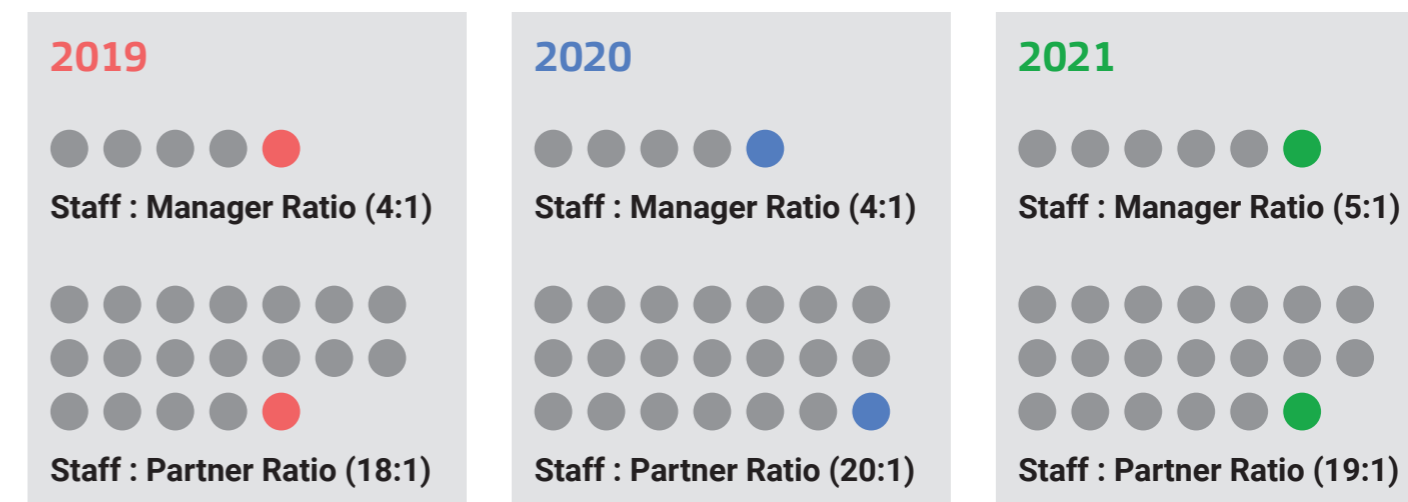


Chart 4: Staff to Partner and Manager ratio

Audit Firm’s Investment to Uphold Audit Quality

Baker Tilly Malaysia embraces a culture of active learning. We believe that our people need to constantly enhance their technical knowledge to build on their existing capabilities.

Our approach to active learning includes offering training that focuses on maintaining and developing our people’s understanding and knowledge in financial reporting and audit, industry-specific knowledge, emerging technologies, as well as leadership behaviour, in order to keep all our professionals at the forefront of new developments and regulations. Our training agendas are reviewed each year to reflect the current needs of the business, taking account of inspection findings, new audit and accounting standards and other regulatory changes.

COVID-19 has led us to respond in an agile manner to the changes around risks and audit approach. Since year 2020, due to the outbreak of COVID-19, the Firm has adopted alternative delivery mechanisms for our learning programmes, shifting from traditional classroom offerings to virtual classroom delivery, to ensure that the learning continues. As the impact of COVID-19 continues to evolve, we will continue to adopt our virtual classroom offerings as an impactful channel for the delivery of our training programmes.

We also offered our audit personnel 96.5 hours of unstructured learning activities and programmes in the form of recorded webinars by Baker Tilly International and the Firm.



Chart 5: Average Actual Training Hours Attended by Audit Personnel

Quality Control

Our Quality Control (“QC”) function demonstrates our recognition of quality and risk management considerations as integral to our audit. The support provided by the QC functions in the Firm comprises of staff training, technical consultation, and risk management, with the purposes of providing training and updates on new developments in relevant areas, to provide consultation resources relative to accounting and auditing; to maintain audit manuals, policies and guidance used by our audit professionals; to assist engagement teams with questions and to engage with our local regulators and standard setters, as well as to design, operate, and monitor our quality control system. Our risk management function is responsible for establishing consistent risk management execution priorities and instilling a risk management “culture” in the Firm where partners and staff instinctively look for risks and consider their impact when making effective operational decisions.

Our risk management function is headed by Managing Partner and assisted by Mr. Ng Boon Hiang, who is an audit partner. On the other hand, the Firm’s training and technical function is headed by Ms. Esther Cheah, who is an approved auditor and AOB registered partner. Esther is assisted by a team of 5 managerial staff fully focused on training and technical matters. Mr. Andy Lee, who is an audit partner, provides technical support as and when necessary.

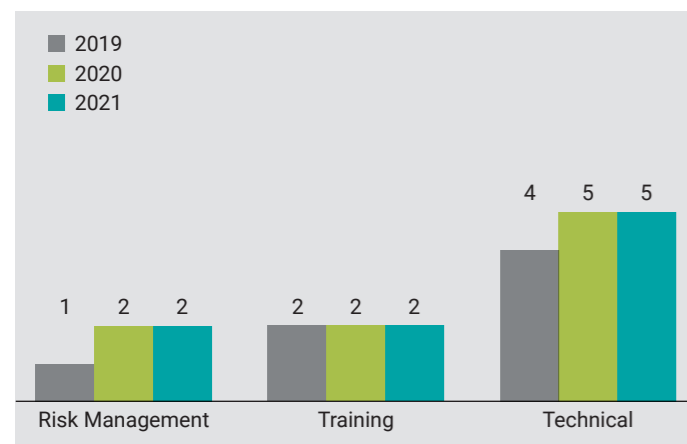


Chart 5.1: Headcount of quality control functions

A lower ratio of audit staff headcount to quality control headcount would demonstrate greater firm commitment to commit sufficient resources to support audit quality.

In 2021, the ratio of headcount in quality control functions to headcount in audit practice remain fairly constant. We will continue to put in place dedicated resources to support our commitment to technical excellence and quality service delivery.

Internal and External Monitoring Reviews

A continued focus on audit quality is of key importance to our Baker Tilly branding. It is critical that our Firm’s audit work is consistently executed with a high level of quality. Hence, monitoring is an integral part of our Firm’s continuous improvement activities. In this section, we describe how audit quality is monitored in Baker Tilly Malaysia in 2 ways:

- Internal monitoring review
- External monitoring review

Internal Monitoring Reviews

Our internal monitoring review, the cornerstone of Baker Tilly’s efforts to monitor audit engagement quality, comprises an ongoing consideration and evaluation of the Firm’s system of quality control and inspection at engagement level.

Firm Level

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

Engagement Level

All Engagement Partners are subjected to review at least once in a three-year cycle. Primarily, our internal monitoring review activity determines whether we have complied, in all material respects, with all applicable accounting and auditing standards, regulatory and legal requirements, and Firm’s audit methodology and policies. We share our findings identified from the internal monitoring review through internal training and in periodic partner/manager and team meetings. Issues that have been identified are also emphasised in subsequent inspection activities to gauge the extent of the continuous improvement.

Assessment Criteria for Engagement Performance



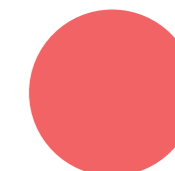
Satisfactory

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



Need Improvement

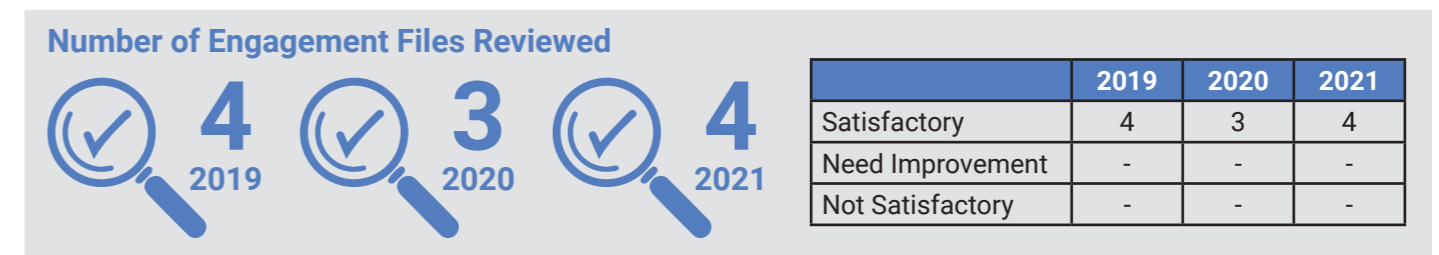
Insufficient and inappropriate work done on significant financial statement area (i.e. specific requirements of our audit methodology were not embedded or properly justified which might have potential financial impacts).



Not Satisfactory

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

The latest internal monitoring review was conducted in 2021 by our Quality Assurance & Technical department in accordance with Baker Tilly Quality Control Manual and audit methodology.



For Firm Level review, there were no exceptions noted in the Firm's systems of quality controls for year 2019, 2020 and 2021. The policies and procedures relating the Firm's system of quality control are relevant, adequate and operating effectively.

The 2021 internal monitoring review at engagement level continues to show a positive trend, with 4 engagements achieving "Satisfactory" results.

Based on our 2021 inspection results, we will continue to focus on supervision and review activities, focusing on areas where there may be significant risks, assessing sufficiency of audit evidence, as well as audit documentation.

External Monitoring Reviews

In addition to our own internal monitoring reviews, we are subjected to external reviews by the Audit Oversight Board ("AOB"). One of the key responsibilities of the AOB is to conduct inspections and monitoring programmes on auditors to assess the degree of compliance with auditing and ethical standards. The AOB conducts inspections on registered audit firms and individual auditors of PIEs and scheduled funds. An AOB inspection may be carried out at the firm level or engagement level or both. A firm review focuses on the review of an audit firm's quality control systems and practices and the degree of compliance with the requirements of the International Standards of Quality Control 1 ("ISQC 1") while an engagement review aims to assess the degree of compliance with auditing and ethical standards of an audit engagement conducted by an auditor.

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



Analysis:

Over a three-year period from 2019 to 2021, we were subjected to AOB's inspection in August 2020. The inspection comprised of a review of the Firm's policies and procedures in relation to the compliance with the requirements in ISQC1 and a review of 3 selected engagements for the audits of the financial years ended and 31 March 2019, 30 June 2019 and 31 December 2019 respectively.

The overall conclusion in the 2020 inspection reported some areas for improvement, which serves as a valuable reference and provides a focus to our quality programmes and improvement activities. None of the findings required any modifications to audit opinions. Besides that, it is noted that one of the selected audit engagements was reported with no findings by the AOB.

We take all inspection observations seriously and seize opportunities to enhance our audit quality. We continue to make improvements and take firm-wide and engagement-specific actions to address findings, including remediation of the audit work.

Appendix

Public listed audit clients of Baker Tilly Malaysia as at 31 December 2021:

COMPANY NAME	MARKET
ACE INNOVATE ASIA BERHAD	LEAP MARKET
ADVANCE SYNERGY BERHAD	MAIN MARKET
AKRU NOW SDN. BHD.	CMSL HOLDER
AMLEX HOLDINGS BERHAD	LEAP MARKET
AMTEL HOLDINGS BERHAD	MAIN MARKET
ANEKA JARINGAN HOLDINGS BERHAD	ACE MARKET
APB RESOURCES BERHAD	MAIN MARKET
AVILLION BERHAD	MAIN MARKET
AWC BERHAD	MAIN MARKET
BAHVEST RESOURCES BERHAD	ACE MARKET
B.I.G. INDUSTRIES BERHAD	MAIN MARKET
BRAHIM'S HOLDINGS BERHAD	MAIN MARKET
BREM HOLDING BERHAD	MAIN MARKET
CAM RESOURCES BERHAD	MAIN MARKET
CENTRAL GLOBAL BERHAD	MAIN MARKET
COMFORT GLOVES BERHAD	MAIN MARKET
CREST BUILDER HOLDINGS BERHAD	MAIN MARKET
CYPARK RESOURCES BERHAD	MAIN MARKET
DAYA MATERIALS BERHAD	MAIN MARKET
DOLOMITE CORPORATION BERHAD	MAIN MARKET
EASTLAND EQUITY BERHAD	MAIN MARKET
ECO WORLD DEVELOPMENT GROUP BERHAD	MAIN MARKET
ECONFRAME BERHAD	ACE MARKET
ESTHETICS INTERNATIONAL GROUP BERHAD	MAIN MARKET
EVERGREEN FIBREBOARD BERHAD	MAIN MARKET
EVERSENDI CORPORATION BERHAD	MAIN MARKET
FARLIM GROUP (MALAYSIA) BERHAD	MAIN MARKET
FCW HOLDINGS BERHAD	MAIN MARKET
FEDERAL INTERNATIONAL HOLDINGS BERHAD	MAIN MARKET
FIBROMAT (M) BERHAD	LEAP MARKET
HAILY GROUP BERHAD	ACE MARKET
HEVEABOARD BERHAD	MAIN MARKET
HPMT HOLDINGS BERHAD	MAIN MARKET
HWA TAI INDUSTRIES BERHAD	MAIN MARKET
INTA BINA GROUP BERHAD	MAIN MARKET
INTEGRATED LOGISTICS BERHAD	MAIN MARKET
IRIS CORPORATION BERHAD	ACE MARKET
JADI IMAGING HOLDINGS BERHAD	MAIN MARKET
JOHAN HOLDINGS BERHAD	MAIN MARKET
K. SENG SENG CORPORATION BERHAD	MAIN MARKET
K-ONE TECHNOLOGY BERHAD	ACE MARKET

COMPANY NAME	MARKET
LEON FUAT BERHAD	MAIN MARKET
LYC HEALTHCARE BERHAD	ACE MARKET
MANAGEPAY SYSTEMS BERHAD	ACE MARKET
MANFORCE GROUP BERHAD	LEAP MARKET
MENANG CORPORATION (M) BERHAD	MAIN MARKET
MINDA GLOBAL BERHAD	MAIN MARKET
MITRAJAYA HOLDINGS BERHAD	MAIN MARKET
OCEAN VANTAGE HOLDINGS BERHAD	ACE MARKET
OOCK GROUP BERHAD	MAIN MARKET
OCR GROUP BERHAD	MAIN MARKET
PCCS GROUP BERHAD	MAIN MARKET
PLENITUDE BERHAD	MAIN MARKET
POH KONG HOLDINGS BERHAD	MAIN MARKET
PRIVASIA TECHNOLOGY BERHAD	ACE MARKET
S & F CAPITAL BERHAD	MAIN MARKET
SAMCHEM HOLDINGS BERHAD	MAIN MARKET
SJ SECURITIES SDN. BHD.	CMSL HOLDER
SMIS CORPORATION BERHAD	MAIN MARKET
SMRT HOLDINGS BERHAD	ACE MARKET
SOUTHERN CABLE GROUP BERHAD	ACE MARKET
STASHAWAY MALAYSIA SDN. BHD.	CMSL HOLDER
STELLA HOLDINGS BERHAD	MAIN MARKET
TALAM TRANSFORM BERHAD	MAIN MARKET
TANCO HOLDINGS BERHAD	MAIN MARKET
TIMBERWELL BERHAD	MAIN MARKET
TITIJAYA LAND BERHAD	MAIN MARKET
TT VISION HOLDINGS BERHAD	LEAP MARKET
TURIYA BERHAD	MAIN MARKET
UNITED U-LI CORPORATION BERHAD	MAIN MARKET
UPA CORPORATION BHD.	MAIN MARKET
UZMA BERHAD	MAIN MARKET
VOLCANO BERHAD	ACE MARKET
WCE HOLDINGS BERHAD	MAIN MARKET
WILLOWGLEN MSC BERHAD	MAIN MARKET
WZ SATU BERHAD	MAIN MARKET
YLI HOLDINGS BERHAD	MAIN MARKET
YNH PROPERTY BERHAD	MAIN MARKET

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