

The background of the entire page is a photograph of a modern glass skyscraper. The building's facade is composed of a grid of windows, reflecting the sky and surrounding environment. The perspective is from a low angle, looking up at the building, which creates a sense of height and scale. The sky is a clear, bright blue. The building's structure is made of dark metal frames. The overall color palette is dominated by blues and greys, with a red geometric graphic element in the top right corner that extends diagonally across the page.

**BDO PLT**  
**Transparency**  
**Report**

**31 December 2022**

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# Message

from the Managing Partner



**DATO' GAN AH TEE** DNS, JP  
Managing Partner

## Welcome to BDO PLT's 2022 Transparency Report.

The Firm continues to navigate change and disruption in our business environment in an era of evolving uncertainties such as rising inflationary pressures and acute talent shortage. In spite of these challenges, quality audits remain our utmost priority as we continue to maintain and build stakeholders trust.

Our Transparency Report provides relevant information on not only the design, implementation and operation of our system of quality control pursuant to ISQC 1, but also our system of quality management pursuant to the implementation of ISQM. Both standards represent cornerstone requirements for the implementation of quality processes and controls to create an environment that supports the performance of quality audit and assurance engagements.

I would like to take this opportunity to express my heartfelt gratitude to all my Partners and staff for their invaluable contributions, belief and commitments to the Firm.

Last but not least, I would also like to extend my appreciation to all our stakeholders including our valued clients, regulatory authorities, business partners and suppliers for your feedback, trust and confidence in us.

*Best regards,*

**Dato' Gan Ah Tee**  
Managing Partner

—  
April 2023

# Legal & Governance Structure



## 1.1 Legal Structure

1.1.1 BDO PLT (LLP0018825-LCA & AF 0206) ('the Firm') is a limited liability partnership and firm of Chartered Accountants registered with the Malaysian Institute of Accountants ('MIA') and Audit Oversight Board ('AOB') to provide auditing activities in Malaysia.

1.1.2 Non-auditing services including tax, advisory and business services and outsourcing are provided in accordance with applicable laws and regulations in Malaysia through the following affiliated entities:

1	BDO Tax Services Sdn Bhd
2	BDO Capital Consultants Sdn Bhd
3	BDO Consulting Sdn Bhd
4	BDO Governance Advisory Sdn Bhd
5	BDO Practice Management Sdn Bhd
6	BDO Corporate Services Sdn Bhd
7	Agensi Pekerjaan BDO Management Services Sdn Bhd
8	BDO Corporate Advisory PLT (dormant)
9	BDO Corporate Advisory Services PLT (dormant)
10	BDO Tan Azlan (dormant)
11	Tan Kim Leong & Co. (dormant)

1.1.3 Partners of the Firm each holds a valid audit licence issued by the Ministry of Finance, Malaysia.

1.1.4 The Firm operates in Malaysia from the following locations:

1	Kuala Lumpur (Main Office)
2	Penang (Branch Office)
3	Johor Bahru (Branch Office)
4	Labuan (Branch Office)

1.1.5 BDO PLT is a member of BDO International Limited ('BDO International'), a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

## 1.1 Legal Structure (Cont'd)

- 1.1.6 BDO International Limited is the governing entity of the BDO network and sets the membership obligation of the BDO Member Firms. The BDO network is governed by the Council, the Global Board and the Global Leadership Team of BDO International.
- 1.1.7 Membership of the network confers certain rights and obligations on BDO Member Firms. Rights include the use of the BDO brand, the ability to refer work to and from other BDO Member Firms and a range of resources. Obligations include the capability to offer minimum core services, including accounting and auditing, taxation and specialist advisory services.
- 1.1.8 The Council comprises one representative from each voting member and comprises the members of BDO International in general meeting. The Council approves the central budget of the network, appoints the Global Board and approves any changes in the Articles and Regulations of BDO International.
- 1.1.9 The Global Board, which is the Board of Directors of BDO International, sets priorities for the BDO network and oversees the work of the Global Leadership Team.
- 1.1.10 As at 31 December 2022, the Global Leadership Team is headed by the CEO and comprises the Global Heads of Audit & Accounting, Tax, HR & Development, Business Development & Marketing, IT, the CEO EMEA, the CEO Americas, the CEO Asia Pacific and the International Secretary. The Global Leadership Team is tasked with coordinating the international activities of the BDO network.
- 1.1.11 In April 2023, the Global Leadership Team was restructured to now comprise of the CEO, Heads of Business Services & Outsourcing, Risk & Compliance, IT, Audit & Assurance, Advisory, Tax, People, Chief Strategy & Operations Officer and Global General Counsel.
- 1.1.12 The Global Leadership Team is supported by the Global Office at Brussels Worldwide Services BBA, a Belgian limited liability company that provides services to assist in the coordination of the BDO network.
- 1.1.13 BDO International and Brussels Worldwide Services BVBA do not provide any professional services to clients. Each of BDO International, Brussels Worldwide Services BVBA and the BDO Member Firms is a separate legal entity and has no liability for acts or omissions of another such entity. Nothing in the arrangements or rules of BDO shall constitute or imply an agency relationship or a partnership between BDO International, Brussels Worldwide Services BVBA and/or the BDO Member Firms.



## 1.2 Governance Structure

1.2.1 BDO PLT maintains a governance and leadership structure that provides oversight of the Firm.

1.2.2 Partners are responsible for the partnership governance and equity matters of the Firm in accordance with the limited liability partnership agreement, and shall meet at least once a year.

1.2.3 Partners of the Firm shall establish a Management Committee responsible for:

- a. Determining the operation, management and affairs of the Firm; and
- b. Determining the rights, benefits, obligations and liabilities of each partner.

1.2.4 The Management Committee shall be chaired by the Managing Partner and will comprise at least 3 members and not more than 12 members, all of whom are elected by ordinary resolution of the Partners with equity. A member of the Management Committee need not be a partner in accordance with the limited liability partnership agreement.

1.2.5 Statistics of Partners with equity of BDO PLT as at 31 December 2022 are as follows:

Range of Equity Share Held (%)	Number of Partners
Less than 1%	6
1% to less than 10%	14
30% to less than 40%	1

1.2.6 There are no family relationships between Partners and there are no Partners holding substantial equity in BDO PLT.



# Audit Quality Measures



## 2.1 Our Internal Quality Control / Management Systems

2.1.1 Our internal control systems up to 14 December 2022 were designed to provide reasonable assurance that:

- a. The Firm consistently complies with applicable professional standards, regulatory and legal requirements; and
- b. Reports issued by the Firm are consistent with the requirements of ISQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements* issued by the International Federation of Accountants ('IFAC') and approved by the MIA.

2.1.2 The Firm subsequently adopted ISQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* from 15 December 2022, which prescribes the responsibilities of the Firm to design, implement and operate a system of quality management ('SOQM') for audits or reviews of financial statements, or other assurance or related services engagements.

2.1.3 The implementation of ISQM 1 during the year expanded the policies and procedures adopted pursuant to ISQC 1, which could be mapped as follows:

Elements of ISQC 1 that collectively forms our system of quality control ('SOQC')		Components of ISQM 1 that collectively forms our SOQM
1	Leadership responsibilities for quality	→ Governance and leadership
2	Relevant ethical requirements	→ Relevant ethical requirements
3	Acceptance and continuance of client relationships and specific engagements	→ Acceptance and continuance of client relationships and specific engagements
4	Human resources and development	→ Resources
5	Engagement performance	→ Engagement performance
6	Monitoring	→ The monitoring and remediation process
7		The Firm's risk assessment process (New)
8		Information and communication (New)

## 2.2 Leadership Responsibilities for Quality / Governance and Leadership

### SOQC up to 14 December 2022

- 2.2.1 The Risk Management Committee, acting through the Managing Partner and the Risk Management Officer, is responsible for establishing and maintaining the SOQC of the Firm.
- 2.2.2 The Risk Management Committee considers and deliberates matters pertaining to risk management, professional ethics and independence of the Firm.
- 2.2.3 The Head of Audit and Assurance sets the 'tone at the top' within the Audit Division with the support of the Audit Monitoring Partner and the Learning & Professional Development ('LAPD') team.

### SOQM effective 15 December 2022

- 2.2.4 Pursuant to the implementation of ISQM 1, the following governance and leadership structure has been implemented for audits or reviews of financial statements, or other assurance or related services engagements:





## 2.2 Leadership Responsibilities for Quality / Governance and Leadership (Cont'd)

2.2.5 Brief descriptions of the roles of key individuals within the SOQM who have appropriate experience, knowledge, influence and authority within the Firm are as follows:

1	The Managing Partner is ultimately responsible and accountable for the SOQM of the Firm.
2	The Head of Audit and Accounting Quality Management ('HAAQM') is operationally responsible for the SOQM of the Firm.
3	The Ethics and Independence Leader ('EIL') is operationally responsible for compliance with ethics and independence requirements of the Firm.
4	The Head of Monitoring and Remediation ('HMR') is operationally responsible for the monitoring and remediation process of the Firm.



## 2.3 Relevant Ethical Requirements

### 2.3.1 Integrity, Objectivity and Independence

2.3.1.1 Our Partners and staff are required to apply applicable standards of integrity and principles of ethics and independence. This includes applying the objective, reasonable and informed third party test before reaching a professional judgment.

2.3.1.2 Engagement Partners are required to communicate to those charged with governance ('TCWG') on a timely basis all significant facts and matters that bear upon the objectivity and independence of their audit engagement team.

2.3.1.3 Our policies and procedures on ethics and independence are stipulated in the BDO Malaysia Risk Management Policies and Procedures Manual ('RMPP Manual') that is made available to the Partners and staff of the Firm.

2.3.1.4 The RMPP Manual consists of policies and procedures in addition to the requirements of the By-Laws (on Professional Conduct and Practice) of the MIA (known as the MIA By-Laws) and BDO International Risk Management Manual.

2.3.1.5 These policies and procedures are complemented by consultation and annual refresher training courses provided to all existing Partners and staff, whilst new Partners and staff would be provided with an introductory training during the year of joining the Firm.

### 2.3.2 Financial Interest and Relationships

2.3.2.1 Our policies regarding Partners and staff holding financial interest in an audit client are in compliance with the requirements of BDO International and MIA By-Laws. We maintain a local prohibited securities entities list that is readily available on our intranet as well as the international restricted entities list maintained by BDO International.

2.3.2.2 Partners and staff are required to comply with the annual declaration process that seeks confirmation that our policies on financial, employment and personal relationships have been complied with. All declarations are reviewed by the Firm.

2.3.2.3 Audit engagement teams are required to comply with the engagement-level declaration process that seeks confirmation of their independence at the commencement of an engagement and prior to the signing of the auditor's report.



## 2.3 Relevant Ethical Requirements (Cont'd)

### 2.3.3 Long Association

2.3.3.1 Our policies are consistent with the revised requirements in Section 540 of the MIA By-Laws, whereby an individual who acted as Engagement Partner (i.e. the Audit and Assurance Partner who is responsible for the engagement and its performance, and for the report issued on behalf of the Firm) for the audit of a Public Interest Entity ('PIE') for 7 cumulative years shall be subjected to the cooling-off period of 5 consecutive years (3 consecutive years for audits of financial statements for periods beginning prior to 15 December 2023).

2.3.3.2 An individual who acted as Engagement Quality Control Reviewer for the audit of a PIE for 7 cumulative years shall be subjected to a cooling-off period of 3 consecutive years, whilst an individual who acted as Key Audit Partner (i.e. other Audit and Assurance Partners on the engagement team who make key decisions or judgments on significant matters) for the audit of a PIE for 7 cumulative years shall be subjected to a cooling-off period of 2 consecutive years.

2.3.3.3 Rotation data is monitored by the Firm to ensure compliance.

### 2.3.4 Non Audit Services ('NAS')

2.3.4.1 Proposed NAS for all audit clients shall first be approved by the respective Engagement Partner who would undertake a threats and safeguard assessment of the scope, nature, timing and fees of the proposed NAS.

2.3.4.2 All NAS for audit clients are assessed against the objective, reasonable and informed third party test, and if pre-approval from the Engagement Partner is not obtained, the proposed NAS engagement cannot proceed.



## 2.4 Acceptance and Continuance of Client Relationships and Specific Engagements

2.4.1 We believe that robust client and engagement acceptance procedures are pivotal in our ability to deliver quality services.

2.4.2 Specific procedures to assess the risks associated with a client and engagement shall be performed prior to the acceptance of any new clients and continuation with the engagement. These procedures include:

1	Evaluation of the business of the entity, including its geographical locations and industry.
2	Evaluation of information regarding the entity, its key management personnel and its owners.
3	Evaluation of the character and reputation of the entity and key management personnel.
4	Evaluation of potential independence risks and potential conflicts of interests.
5	Inquiry of the previous auditor regarding the reason(s) for the change in auditor and obtaining professional clearance from the previous auditor.
6	Assessment of our ability to serve the prospective client.
7	Reviewing the historical financial information of the entity.
8	Conducting a Know-Your-Client assessment.

2.4.3 The acceptance and continuation of all engagements undergoes an approval process that is proportionate to the identified and assessed risks of the engagement.

### *SOQC up to 14 December 2022*

2.4.4 High risk engagements require pre-approval from the Head of Audit and Assurance, Audit Monitoring Partner and Risk Management Officer, whilst medium and low risk engagements require pre-approval from the Head of Audit and Assurance and Audit Monitoring Partner.

### *SOQM effective 15 December 2022*

2.4.5 Pursuant to the implementation of ISQM 1, high risk engagements require pre-approval from the HAAQM, EIL and Risk Management Officer, whilst medium and low risk engagements require pre-approval from the EIL.



## 2.5 Human Resources and Development / Resources

### SOQC up to 14 December 2022

- 2.5.1 Human resources are our critical success factor in providing quality services. We have established policies and procedures on recruitment, workforce planning, training and performance appraisal to ensure that we have sufficient personnel with the capabilities, competence, and ethical behaviour to provide quality audits.
- 2.5.2 Our accreditation as an approved employer with The Institute of Chartered Accountants in England and Wales ('ICAEW'), The Association of Chartered Certified Accountants ('ACCA'), The Malaysian Institute of Certified Public Accountants ('MICPA') and CPA Australia facilitates training of future professional accountants as part of our capacity building efforts.
- 2.5.3 We invest in a robust LAPD team tasked with the following responsibilities:

1	Maintaining technical manuals and communicating contemporary developments to Partners and staff.
2	Consulting with Partners and staff seeking technical advice on financial reporting, auditing and compliance matters.
3	Overseeing Continuing Professional Education ('CPE') programmes encompassing technical and professional development skills.

- 2.5.4 Our training programme aims to communicate key technical challenges and practical applications including contemporary issues (e.g. the impact of COVID-19, supply chain disruptions and Environmental, Social and Governance ('ESG') factors to financial reporting and auditing) as well as professional development skills courses.
- 2.5.5 Our training programme is developed and maintained by the LAPD team based on Training Needs Analyses input from all staff of the Firm.
- 2.5.6 We operate an online training platform to facilitate virtual training whilst maintaining compliance with standard operating procedures to complement our pre COVID-19 classroom training mode.
- 2.5.7 Several trainers in the LAPD team are accredited by the Human Resource Development Corporation ('HRDC') and the Firm is a registered training provider with the HRDC.

### SOQM effective 15 December 2022

- 2.5.8 The resources component expands the scope of the previous human resource element in ISQC 1 to now include technological resources, intellectual resources and service providers. Consequently, the Firm has catalogued these resources and updated relevant Standard Operating Procedures ('SOPs') to safeguard our resources and enable the operation of the SOQM consistent with professional standards and applicable legal and regulatory requirements.

## 2.6 Engagement Performance

SOQC up to 14 December 2022

### 2.6.1 BDO Audit Manual and Audit Process Tool

2.6.1.1 BDO PLT applies the BDO Audit Manual (a technical manual) and engagement teams use the Audit Process Tool ('APT') (an in-house audit software) issued by BDO International to perform our audit, assurance and review engagements.

2.6.1.2 BDO International develops and maintains the BDO Audit Manual and APT that encapsulates the BDO Audit Approach applied by all BDO Member Firms to ensure that audits meet all applicable professional standards and that all BDO Member Firms issue reports that are appropriate in the circumstances.

2.6.1.3 Both, the BDO Audit Manual and APT are fully in compliance with International Standards on Auditing ('ISA').

2.6.1.4 The APT is designed to take advantage of technological advances that enable our engagement teams to work efficiently and remotely on both, large and small engagements.

2.6.1.5 Our Information Systems ('IS') auditors complement our financial statements audit engagement team by assessing the design and implementation of relevant IT general controls before performing application controls testing, if required.

### 2.6.2 Supervision and Review

2.6.2.1 Engagements are supervised by Engagement Partners and staff with appropriate knowledge and experience. Engagement Partners are responsible for ensuring that risks of material misstatements are identified and assessed appropriately throughout the audits.

2.6.2.2 Engagement Partners are also responsible to ensure that professional work is performed with professional scepticism in accordance with our BDO Professional Judgment Framework. The BDO Professional Judgment Framework:

1	Fundamentally establishes an environment whereby professionals can exhibit critical, analytical thinking and sound decision-making through a recognised, understood framework.
2	Provides a commonality to speak and act in a predictable manner, using standardised language, no matter the issue, and follow the same disciplined steps. These behaviours are transferable no matter the topic or circumstance.
3	Facilitate the documentation of thought patterns and results in a concise, comprehensive manner.
4	Embeds a behaviour for professionals to address matters and related responses in a fluid, timely, collaborative and repeatable pattern.



## 2.6 Engagement Performance (Cont'd)

### 2.6.2 Supervision and Review (Cont'd)

2.6.2.3 Our engagement review procedures are designed to facilitate effective control of the audit, whereby:

1	Work is performed in accordance with applicable standards and regulations.
2	Significant matters have been raised for further assessment and appropriately addressed.
3	Appropriate consultations have taken place.
4	Planned work has been reviewed and that the objectives of all planned work have been achieved.
5	Work performed and evidence obtained support the conclusions reached.
6	Documentation in the APT enables an experienced auditor to understand the nature, timing and extent of procedures performed, results of the procedures performed and the evidence obtained, and significant matters arising during the audit.

2.6.2.4 Engagement quality control reviews are performed for audits of Public Interest Entities ('PIEs') and other high risk engagements.

2.6.2.5 The Engagement Quality Control Reviewer ('EQCR') shall be an experienced, independent Partner recommended by the Audit Monitoring Partner and approved by the Head of Audit and Assurance, and Managing Partner.

2.6.2.6 The EQCR will neither be actively involved in making ongoing decisions relating to the engagement nor involved in performing the engagement.

### 2.6.3 Consultation

2.6.3.1 Partners and engagement teams could seek consultation from the LAPD team on technical issues pertaining to financial reporting, auditing or regulatory compliance matters.

2.6.3.2 In the event a need arises, consultations on International Financial Reporting Standards ('IFRS') interpretation and application matters could be escalated to BDO International Financial Reporting Advisory.

#### *SOQM effective 15 December 2022*

2.6.4 ISQM 2 *Engagement Quality Reviews* introduces a new person 'Engagement Quality Reviewer' ('EQR') in place of the EQCR.

2.6.5 ISQM 2 also prescribes the appointment and eligibility criteria of the EQR, and the responsibilities of the EQR relating to the performance and documentation of an engagement quality review.

2.6.6 The EQRs shall be recommended by the HAAQM and approved by the Engagement Quality Review Committee.



## 2.7 Monitoring / The Monitoring and Remediation Process

### SOQC up to 14 December 2022

2.7.0 We place emphasis on audit quality by monitoring our audit engagements via Internal Inspection Programme ('IIP'), Quality Assurance Review ('QAR'), Hot Reviews and Financial Statements Review ('FSR') described in the following paragraphs.

#### 2.7.1 IIP

2.7.1.1 PIE audit engagements are selected and inspected by an independent team in accordance with guidelines issued by BDO International and ISQC 1 to ensure that all Partners are inspected at regular intervals and a certain minimum percentage of total audit engagements are inspected annually.

2.7.1.2 The inspection team comprises suitably qualified independent personnel to act as reviewers (i.e. reviewers that are not involved in the engagement selected) who will perform the inspection based on programmes developed for inspections by BDO International and thematic findings from the AOB.

2.7.1.3 Engagement inspections consider matters from planning to completion of the

engagement, to reporting and the role of the EQCR, as well as the appropriateness of accounting policies and disclosures.

2.7.1.4 Root Cause Analysis ('RCA') of findings is performed and appropriate remediation plans drawn up during the IIP, which are subsequently reported to BDO International to identify emerging themes in tandem with findings of the International Forum of Independent Audit Regulators ('IFIAR').

2.7.1.5 Conclusions on each inspected engagement are graded using the same grading issued by BDO International and are discussed with the Engagement Partner, Head of Audit and Assurance, and Audit Monitoring Partner at the conclusion of the IIP. All findings and grading are subsequently reported to the Managing Partner and Risk Management Officer.

2.7.1.6 The Firm also performs the annual functional review of the SOQC of the Firm based on programmes issued by BDO International that are subsequently reported to BDO International and evaluated during the QAR by BDO International.





## 2.7 Monitoring / The Monitoring and Remediation Process (Cont'd)

### 2.7.2 QAR

2.7.2.1 QAR is performed on the Firm by BDO International on a regular basis to evaluate the quality of policies and procedures of the Firm as well as the quality of professional work performed by the Firm.

### 2.7.3 Hot Reviews

2.7.3.1 Hot Reviews are performed as limited scope quality reviews of ongoing audit engagements to monitor the adequacy, relevance and operational effectiveness of the quality control policies and procedures of the Firm.

2.7.3.2 The inspection team comprises Partners who are not involved in the engagement selected by the Risk Management Officer and Audit Monitoring Partner.

### 2.7.4 FSR

2.7.4.1 FSR is performed for selected PIE audit engagements prior to the issuance of the auditor's report in order to identify significant matters arising from IFRS and Malaysian Financial Reporting Standards ('MFRS') implementation, which are brought to the attention of the Engagement Partner.

### SOQM effective 15 December 2022

2.7.5 The monitoring and remediation process component is an expansion of the previous element of monitoring in ISQC 1, which resulted in the establishment of a Monitoring and Remediation Committee within the Firm led by the HMR. The Monitoring and Remediation Committee oversees the IIP, QAR, Hot Reviews and FSR activities and has established relevant SOPs to support communication of these activities within the Firm.

## 2.8 New Components of ISQM 1

2.8.1 The Firm's risk assessment process is a new component, which resulted in the design and implementation of a risk assessment process to establish quality objectives in accordance with ISQM 1, identify and assess quality risks, and implement responses to address quality risks.

2.8.2 The information and communication component is a new component, which resulted in the implementation of relevant SOPs to identify, capture, process and maintain relevant and reliable information to support communication of the SOQM within the Firm as well as to external parties (including the form and content of this Transparency Report).

2.8.3 Pursuant to the implementation of ISQM 1 and ISQM 2, the Firm issued the following policies and procedures that is made available to the Partners and staff of the Firm via access to the intranet of the Firm:

1	Revised RMPP Manual
2	BDO ISQM Manual issued by BDO International
3	BDO ISQM Manual issued by BDO Malaysia
4	BDO Ethics and Independence Manual issued by BDO International
5	Policy for Mandatory Consultations with the BDO Global Office for Specified Assurance Related Matters issued by BDO International

## 2.9 Accountability for Audit Quality

- 2.9.1 Engagement Partners are responsible for the overall quality on each audit engagement to which that Engagement Partner is assigned.
- 2.9.2 All of our Partners are subject to annual formal performance appraisal that includes explicit evaluation of quality matters comprising quality, risk management, technical expertise and continuous learning elements.
- 2.9.3 Results from the IIP, QAR and regulatory inspections are included in the quality element of the quality matters section of the performance appraisal. This section contributes to the aggregate performance appraisal, which forms part of the determination of the overall annual remuneration of each individual Partner. If quality deficiencies were identified during the IIP, QAR and/or regulatory inspections, it will be considered in the determination of the overall annual remuneration of the Partner.



## 2.10 Compliance with Laws and Regulations

### 2.10.1 Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 ('AMLA')

- 2.10.1.1 We have established policies and procedures to ensure compliance with AMLA, Policy Document for Designated Non-Financial Businesses and Professions and Non-Bank Financial Institutions ('DNFBPs and NBFIs Policy Document') and other relevant documents issued by Bank Negara Malaysia ('BNM'). These policies are made available for all Partners and staff via access to the intranet of the Firm.
- 2.10.1.2 Our AMLA compliance efforts include the designation of Compliance Officers at the Kuala Lumpur, Penang, Johor Bahru and Labuan offices, who are responsible for the receipt and assessment of internal Suspicious Transactions Reports ('STRs') prior to the submission of STRs to the Financial Intelligence and Enforcement Department of BNM.
- 2.10.1.3 Know-Your-Customer ('KYC') policies and procedures are encapsulated in standardised documentation that include customer due diligence, enhanced customer due diligence and ongoing due diligence requirements.
- 2.10.1.4 During the year, the Firm established a Central Compliance Unit responsible for centralising AMLA compliance efforts of the Firm. This includes providing all Partners and staff with annual training to ensure that all Partners and staff are aware of their duties and responsibilities prescribed in the AMLA and DNFBPs and NBFIs Policy Document.

## 2.10 Compliance with Laws and Regulations (Cont'd)

### 2.10.2 Malaysian Anti-Corruption Commission Act 2009 ('MACC Act 2009')

2.10.2.1 We have established policies and procedures to ensure compliance with the MACC Act 2009 and related anti-bribery and corruption laws in Malaysia. These policies are made available for all Partners and staff via access to the intranet of the Firm.

2.10.2.2 Our compliance efforts include the establishment of a Corporate Compliance Unit with primary and day-to-day responsibility for implementing our Anti-Bribery and Corruption ('ABC') Policy.

2.10.2.3 All Partners and staff are provided at least annual awareness programme to ensure awareness of the requirements of applicable laws and regulations, as well as the ABC Policy.

### 2.10.3 Compliance with ISQC 1, ISQM, Accounting and Auditing Standards

2.10.3.1 In addition to our efforts described in the earlier sections of this report on our compliance with ISQC 1, ISQM, accounting and auditing standards, BDO International provides regular policies and procedures updates to all BDO Member Firms consistent with the Global Public Policy Committee ('GPPC') and IFIAR engagements.

2.10.3.2 The GPPC brings together senior Partners from the six large international accounting networks (including BDO International) and is focused on professional matters of global scope deemed to be priorities by the CEOs of the respective networks, such as the enhancement of quality in auditing and corporate reporting.

2.10.3.3 These regular policies and procedures updates are communicated within the Firm on a timely basis and implemented within stipulated timeframes and the status reports are also filed with BDO International.

2.10.3.4 Policies on data protection, information security and privacy are made available for all Partners and staff via access to the intranet of the Firm.

### 2.10.4 Risk Management Process

2.10.4.1 Risk identification is a dynamic process continuously undertaken by all Partners and staff throughout engagement performance.

2.10.4.2 Potential risks identified shall be discussed and remediated between the Engagement Partner and EQCR/EQR (if applicable), together with the Audit Monitoring Partner/HAAQM.



# Audit Quality Indicators ('AQI')



- 3.1 The following AQI provide indications of the audit quality of the Firm.
- 3.2 We believe that the statistical indicators in combination with the contextual descriptions provide relevant information to our stakeholders.

Workload of Audit and Assurance Partners Performing Audits of PIE		2022	2021	2020	2019	2018
1	Ratio of average number of PIEs per Partner	4.1	4.7	4.7	5.1	5.3
2	Ratio of average number of entities related to PIEs per Partner	71	80	76	78	78
3	Ratio of average number of non-PIEs per Partner	95	102	103	107	118

## Our Comments

These ratios indicate the average portfolio of PIE and non-PIE audits undertaken by our Partners. We are of the opinion that our Partners' workload remains healthy in tandem with our investments in capacity building.

Auditor Independence		2022	2021	2020	2019	2018
1	Proportion of fee income derived from audit clients segregated into: <ul style="list-style-type: none"> <li>• Statutory audit</li> <li>• Other assurance services</li> <li>• Non-audit practice</li> </ul>	77 : 6 : 17	72 : 10 : 18	76 : 7 : 17	74 : 10 : 16	72 : 12 : 16
2	Proportion of fee income derived from: <ul style="list-style-type: none"> <li>• Audit practice</li> <li>• Non-audit practice</li> </ul>	54 : 46	55 : 45	57 : 43	57 : 43	54 : 46

#### Our Comments

These ratios indicate the relative proportion of audit and non-audit fees derived from audit clients of the Firm, whereby a higher ratio of audit fees result in less dependency on non-audit fees. We are of the opinion that our fee proportions remain stable throughout the years with audit fees constituting more than half of the aggregate fee income.

Capacity and Competence of the Audit Practice		2022	2021	2020	2019	2018
1	Headcount of Audit and Assurance personnel	392	409	451	460	450
2a	Headcount of Audit and Assurance Partners	25	23	21	19	19
2b	Headcount of Audit and Assurance Partners performing audits of PIE	21	18	17	16	14
3	Percentage of audit personnel with professional qualifications* and/or MIA membership	20.7%	22.3%	22.4%	19.8%	20.4%
4	Turnover rate for audit personnel	35.1%	29.2%	18.1%	18.1%	14.6%
5	Average years of experience of Audit and Assurance Partners	23.2	22.9	23.0	20.9	21.1

Capacity and Competence of the Audit Practice (Cont'd)		2022	2021	2020	2019	2018																													
6	Average years of experience of audit managerial staff	10.0	9.1	8.5	8.5	7.3																													
7	Average years of experience of non-managerial audit staff	2.1	2.4	2.6	2.3	2.0																													
8	Years of experience by Audit and Assurance staff role	<table border="1"> <thead> <tr> <th rowspan="2">Audit Staff Role</th> <th colspan="4">Percentage of Audit and Assurance Staff with Years of Experience in the Assigned Role as at 31 December 2022</th> </tr> <tr> <th>Less than 1 year</th> <th>1 – 3 years</th> <th>3 to 5 years</th> <th>More than 5 years</th> </tr> </thead> <tbody> <tr> <td>Partner</td> <td>8.0%</td> <td>8.0%</td> <td>20.0%</td> <td>64.0%</td> </tr> <tr> <td>Managerial</td> <td>41.5%</td> <td>39.0%</td> <td>17.1%</td> <td>2.4%</td> </tr> <tr> <td>Non-managerial</td> <td>89.6%</td> <td>10.4%</td> <td>-</td> <td>-</td> </tr> <tr> <td>Average</td> <td>79.3%</td> <td>13.3%</td> <td>3.1%</td> <td>4.3%</td> </tr> </tbody> </table>					Audit Staff Role	Percentage of Audit and Assurance Staff with Years of Experience in the Assigned Role as at 31 December 2022				Less than 1 year	1 – 3 years	3 to 5 years	More than 5 years	Partner	8.0%	8.0%	20.0%	64.0%	Managerial	41.5%	39.0%	17.1%	2.4%	Non-managerial	89.6%	10.4%	-	-	Average	79.3%	13.3%	3.1%	4.3%
Audit Staff Role	Percentage of Audit and Assurance Staff with Years of Experience in the Assigned Role as at 31 December 2022																																		
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Average	79.3%	13.3%	3.1%	4.3%																															

#### Our Comments

These ratios indicate the capacity and professional competence of our auditors. The increase in turnover rate resulted in a decline in headcount of audit personnel, in tandem with contemporary labour market conditions affecting the profession. Nevertheless, the Firm continues to maintain audit quality with investments in audit technology, training, and Partner-led supervision. The Firm has also continued to engage our staff as part of our talent retention strategy, in addition to ongoing activities to recruit additional staff.

*\* This headcount does not include staff who have relevant degrees or completed professional examinations and are at various stages of being supervised to obtain their relevant working experience.*

Audit Engagement Supervision		2022	2021	2020	2019	2018
1	Staff to Partner ratio	14.7	16.8	20.5	20.9	24.0
2	Staff to manager ratio	8.0	8.0	8.8	6.2	7.0

#### Our Comments

These ratios indicate the extent of engagement supervision by our Partners and managers. We are of the opinion that our staff ratios allow for an appropriate level of supervision of our staff proportionate to the number and size of our PIE audit clients.

Investment to Uphold Audit Quality		2022	2021	2020	2019	2018
1	Hours of training provided by the audit firm to audit personnel (average)	85	66	52	63	64
1a	Hours of training provided by the audit firm to Audit and Assurance Partners	94	78	54	63	102
1b	Hours of training provided by the audit firm to managerial staff	95	87	68	67	75
1c	Hours of training provided by the audit firm to non-managerial staff	81	61	49	63	60
2	Total headcount of quality control functions	15	11	11	7	7
2a	Headcount of full time personnel in quality control functions	12	8	8	6	6
2b	Headcount of part time personnel in quality control functions	3	3	3	1	1
2c	Ratio of personnel in quality control functions to audit staff	1 : 26	1 : 37	1 : 41	1 : 66	1 : 64

### Our Comments

These statistics indicate the extent of resources invested in the professional development and monitoring functions of the Firm, whereby a higher statistic indicates increased investments in our SOQM. The increase in hours of training is driven by the first-time adoption of ISQM. We are of the opinion that our average hours of training provided complies with the requirements in Section B110.4 of the MIA By-Laws.

Internal and External Monitoring Reviews		2022	2021	2020	2019	2018
1	Results of monitoring reviews by the Firm:					
1a	Design and effectiveness of the functional areas of the Firm	Satisfactory				
1b	IIP engagements					
	- Number of engagements graded A	7	5	-	2	-
	- Number of engagements graded B	2	4	5	2	2
	- Number of engagements graded C	-	-	3	1	-
	- Number of engagements graded D	-	-	-	-	-
1c	Hot review – number of engagements completed	13	11	8	N/A	N/A
2	Results of monitoring reviews by BDO International (QAR)					
	- Number of engagements graded A	N/A	N/A	N/A	2	N/A
	- Number of engagements graded B				4	
	- Number of engagements graded C				-	
	- Number of engagements graded D				-	
3	Results of AOB inspections					
	- Firm review findings	5	2	-	-	-
	- Number of engagements inspected	4	7	8	4	2
	- Number of engagements with Finding	3	1	1	4	-

Engagements graded A are defined as 'Satisfactory'.

Engagements graded B are defined as 'Acceptable with some areas to improve'.

Engagements graded C are defined as 'Major areas to improve'.

Engagements graded D are defined as 'Unsatisfactory'.

N/A denotes Not Applicable because these reviews did not occur during those years.

### Our Comments

These statistics indicate the results of internal and external monitoring reviews. Although findings arising from the AOB inspections did not affect the audit opinion rendered, remediation efforts including appropriate training, increased engagement supervision and monitoring efforts are being undertaken to address identified root causes.



# List of PIE audit clients as at 31 December 2022



## **Construction**

1. Benalec Holdings Berhad
2. Melati Ehsan Holdings Berhad
3. Sunway Construction Group Berhad

## **Consumer Products & Services**

4. Apollo Food Holdings Berhad
5. Asia File Corporation Berhad
6. Bonia Corporation Berhad
7. Carlo Rino Group Berhad  
(f.k.a. CRG Incorporated Berhad)
8. C.I. Holdings Berhad
9. Cheetah Holdings Berhad
10. CWG Holdings Berhad
11. Emico Holdings Berhad
12. Focus Point Holdings Berhad
13. Formosa Prosonic Industries Berhad
14. Guan Chong Berhad
15. Iconic Worldwide Berhad
16. Mr. D.I.Y. Group (M) Berhad
17. New Hoong Fatt Holdings Berhad
18. Padini Holdings Berhad
19. Pelikan International Corporation Berhad
20. PRG Holdings Berhad
21. RGB International Berhad
22. Rhone Ma Holdings Berhad
23. Senheng New Retail Berhad
24. Sern Kou Resources Berhad
25. Tek Seng Holdings Berhad
26. Three-A Resources Berhad
27. Tomei Consolidated Berhad
28. YX Previous Metals Berhad

## **Energy**

29. Dialog Group Berhad

## **Financial Services**

30. ECM Libra Group Berhad
31. ELK-Desa Resources Berhad

## Healthcare

32. UMedic Group Berhad

## Industrial Products & Services

- 33. Ancom Nylex Berhad
- 34. Ann Joo Resources Berhad
- 35. A-Rank Berhad
- 36. Box-Pak (M) Berhad
- 37. CE Technology Berhad
- 38. Choo Bee Metal Industries Berhad
- 39. Dominant Enterprise Berhad
- 40. Eonmetall Group Berhad
- 41. Eversafe Rubber Berhad
- 42. FACB Industries Incorporated Berhad
- 43. Fibon Berhad
- 44. HPP Holdings Berhad
- 45. Jishan Berhad
- 46. Karyon Industries Berhad
- 47. Kumpulan Perangsang Selangor Berhad
- 48. LB Aluminium Berhad
- 49. Leader Steel Holdings Berhad
- 50. Luxchem Corporation Berhad
- 51. Nylex (M) Berhad
- 52. Powerwell Holdings Berhad
- 53. Prestar Resources Berhad
- 54. Safetyware Group Berhad
- 55. Sunway Berhad
- 56. Tashin Holdings Berhad

## Plantation

- 57. Batu Kawan Berhad
- 58. Golden Land Berhad
- 59. IOI Corporation Berhad
- 60. Kuala Lumpur Kepong Berhad
- 61. Matang Berhad
- 62. TSH Resources Berhad

## Property

- 63. BCB Berhad
- 64. Country View Berhad
- 65. Enra Group Berhad
- 66. Gromutual Berhad
- 67. MK Land Holdings Berhad
- 68. OSK Holdings Berhad
- 69. Paragon Globe Berhad
- 70. Selangor Dredging Berhad
- 71. Tambun Indah Land Berhad
- 72. Thriven Global Berhad

## Real Estate Investment Trust

- 73. Atrium Real Estate Investment Trust
- 74. Hektar Real Estate Investment Trust
- 75. Sunway Real Estate Investment Trust

## Technology

- 76. Elsoft Research Berhad
- 77. GHM Systems Berhad
- 78. Greatech Technology Berhad
- 79. Microlink Solutions Berhad
- 80. Mikro MSC Berhad
- 81. MI Technovation Berhad
- 82. MMS Ventures Berhad
- 83. Omesti Berhad
- 84. UWC Berhad

## Telecommunications & Media

- 85. Catcha Digital Berhad
- 86. Innity Corporation Berhad
- 87. Sasbadi Holdings Berhad
- 88. Sedania Innovator Berhad
- 89. Star Media Group Berhad

## Transportation & Logistics

- 90. Ancom Logistics Berhad
- 91. Swift Haulage Berhad

*NB: The classification of PIE audit clients are in accordance with the sector classification of Bursa Malaysia Securities.*

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