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# 2023 Transparency Report Deloitte PLT (LLP0010145-LCA) (AF0080)

For the year ended 31 May 2023



# Contents

Deloitte PLT leadership message	2
Deloitte network	3
Deloitte Audit & Assurance: Our commitment to serving the public interest	7
External and internal audit quality monitoring	22
Independence, ethics, and additional disclosures	24
Appendices	29

# Leadership message

# Our mission

In today's complex and volatile environment, the role of auditors in delivering high-quality audits rooted in integrity and trust is becoming increasingly vital. This report reflects our commitment to enhance transparency across and between stakeholders, safeguard the public interest, and drive meaningful change. Despite the growing challenges in an evolving business landscape, we remain resolute in prioritising audit excellence, guided by a strong emphasis on innovation, digitalisation, and talent development.

# Talent development and diversity

At Deloitte, talent is our greatest asset. We proactively undertake transformative initiatives to address prevalent concerns of work-life balance and remuneration in the audit industry. By offering competitive remuneration packages, flexible work arrangements, monitoring workload hours for partners and personnel, as well as providing world-class learning and development programs, we empower our people in Malaysia to shape their own careers.

Beyond monetary reasons, today's talent highly values the experiences and knowledge they can gain from their jobs. According to LinkedIn's 2023 Workplace Learning Report, learning opportunities is a key focus area for organisations aiming to improve employee retention. We support our audit teams in attaining their professional qualifications by supporting their professional membership fees and providing them the space to excel. Currently, 98% of our audit personnel are either professionally qualified or are actively pursuing a professional qualification. Additionally, Deloitte's robust multidisciplinary business model and global network also means our talent can expect a strong career progression and international exposure.

As a firm comprising world-class talent with diverse backgrounds and multi-lingual skillsets, diversity, equity, and inclusion are guiding pillars of our talent development and retention efforts. Presently, 31% of our partners and 47% of our directors are women, and we continue to place a strong focus on open communication, wellness, and mental health.

# Digital driven audits

With the growing complexity of audit delivery due to ESG considerations and digital advances, auditors must be adept at gathering, analysing, and visualising multiple data streams while identifying where data or technology can be applied to improve quality and value throughout the audit process. By utilising data-driven analytics, as well as cognitive and cloud-based technologies, our auditors continue to deliver high-quality industry insights with an in-depth understanding of our clients' businesses. For instance, we continue to drive adoption of Deloitte's global cloud-based audit platforms, Deloitte Omnia and Deloitte Levvia, to demonstrate our commitment to delivering digital, high-quality audits of all sizes and levels of complexity.

# A new chapter in firm quality management

International Standard on Quality Management 1 Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements ("ISQM 1") introduced a risk-based approach to the firm's system of quality management that required us to respond to quality objectives and risks in delivering highquality audits. The effective implementation of ISQM 1 has been and remains a key element of Deloitte's global audit quality strategy. Deloitte PLT's ISQM 1 implementation activities were completed by 15 December 2022, building on the multi-year investments and commitment already delivered to go beyond the requirements of the existing professional standards. Consistent with our culture of continuous improvement and innovation, our ISQM 1 implementation efforts have provided us the opportunity to examine those areas where we can further support audit quality and the public interest.

# Closing

Moving forward, the role of audit must continue to preserve and enhance the integrity and trust in tomorrow's financial reporting ecosystem. To achieve this, all stakeholders must work together to drive meaningful progress, nurture futureready auditors, and pursue a culture of continuous improvement to deliver audits of the highest calibre.



Yee Wing Peng County Managing Partner Deloitte Malaysia

Chief Executive Officer Deloitte PLT



Stanley Teo Audit & Assurance Business Leader Deloitte PLT

# Deloitte network

# **Deloitte PLT: legal structure and ownership**

In Malaysia, services are provided by Deloitte PLT and affiliates ("Deloitte Malaysia"). Deloitte Malaysia is connected to the Deloitte network through Deloitte SEA. For the purposes of transparency reporting, this report contains information about Deloitte PLT, relevant to its Audit & Assurance business. Information about Deloitte PLT and our relevant affiliation and/or relationship disclosures are disclosed herein and with details in Appendix A.

Deloitte Malaysia is part of the network of entities that make up Deloitte SEA (a collective term that refers to separate legal entities that facilitate and/or provide services across Southeast Asia, and this network of entities are also a part of Deloitte AP (see below)). Through Deloitte AP, Deloitte Malaysia is part of the Deloitte network.

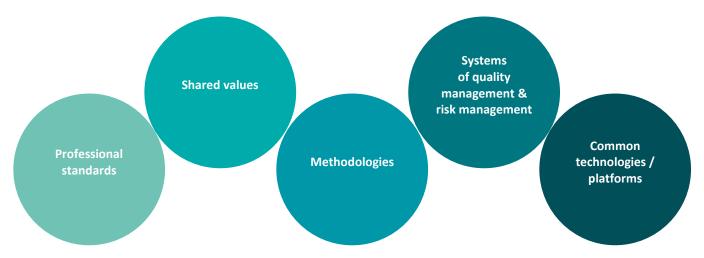
Deloitte Asia Pacific Limited is a company limited by guarantee and a member firm of DTTL. Members of Deloitte Asia Pacific Limited and their related entities, each of which is a separate and independent legal entity, provide services from more than 100 cities across the region, including Auckland, Bangkok, Beijing, Bengaluru, Hanoi, Hong Kong, Jakarta, Kuala Lumpur, Manila, Melbourne, Mumbai, New Delhi, Osaka, Seoul, Shanghai, Singapore, Sydney, Taipei and Tokyo.

Please see below and the rest of this document for further information regarding DTTL, the Deloitte organisation and the Deloitte network.

# **Network description**

The Deloitte network

The Deloitte network (also known as the Deloitte organization) is a globally connected network of member firms and their respective related entities operating in more than 150 countries and territories across the world. These separate and independent member firms operate under a common brand.



# Deloitte Touche Tohmatsu Limited (DTTL or Deloitte Global)

Deloitte Touche Tohmatsu Limited is a private company limited by guarantee incorporated in England and Wales. DTTL serves a coordinating role for its member firms and their related entities by requiring adherence to policies and protocols with the objective of promoting a consistently high level of quality, professional conduct, and service across the Deloitte network. DTTL does not provide professional services to clients, or direct, manage, control, or own any interest in any member firm or any member firm's related entities.

"Deloitte" is the brand under which approximately 457,000 dedicated professionals and practitioners in independent firms throughout the world collaborate to provide audit and assurance, consulting, financial advisory, risk advisory, tax, and related services to select clients. These firms are members of DTTL. DTTL, these member firms and each of their respective related entities form the Deloitte organization. Each DTTL member firm and/or its related entities provides services in particular geographic areas and is subject to the laws and professional regulations of the particular country or countries in which it operates. Each DTTL member firm is structured in accordance with national laws, regulations, customary practice, and other factors, and may secure the provision of professional services in its respective territories through related entities. Not every DTTL member firm or its related entities provides all services, and certain services may not be available to attest clients under the rules and regulations of public accounting. DTTL, and each DTTL member firm and each of its related entities, are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm, and their respective related entities, are liable only for their own acts and omissions, and not those of each other. The Deloitte organization is a global network of independent firms and not a partnership or a single firm. DTTL does not provide services to clients.

# Deloitte PLT: governance – leadership in action

Deloitte PLT operates as a limited liability partnership, established under Malaysian law with registration number LLP0010145-LCA, and is a registered audit firm (Audit Firm No. AF0080). We are also registered with the Malaysian Audit Oversight Board as auditors of public interest entities and schedule funds ("PIEs") in Malaysia.

Our principal business address is Level 16, Menara LGB, Jalan Wan Kadir, Taman Tun Dr Ismail, 60000 Kuala Lumpur. Deloitte PLT also operates from 6 other locations nationwide including Johor Bahru, Ipoh, Pulau Pinang, Kuching, Kota Kinabalu and Wilayah Persekutuan Labuan.

# Leadership

Deloitte Malaysia is a collective term that refers to several separate legal entities (connected to the Deloitte network as affiliates) with their own management to align with the way we conduct our business in Malaysia. Each of these entities provide services including audit, risk advisory, tax, consulting, financial advisory and related services and are owned, directly or indirectly, by persons who actively participate in the practice. Deloitte Malaysia is led by Yee Wing Peng, Country Managing Partner, and supported by a National Executive comprising several business and risk leaders.

Deloitte PLT's Executive ("A&A Executive") is responsible for the management and oversight of the Audit & Assurance ("A&A") practice. Specific responsibilities include determining the audit and assurance business strategy, nominating admission of A&A partners and providing input to the financial aspects of business plans. In the A&A Executive, Yee Wing Peng is designated as Chief Executive Officer ("CEO") and Stanley Teo is designated as Audit & Assurance Business Leader. Together with other senior leaders, the A&A Executive implements the strategy for the Audit & Assurance practice, including related policies and procedures.

In all their activities, the A&A Executive are responsible for the overarching objective of audit quality, including compliance with applicable professional standards and regulatory requirements. Deloitte PLT's strategy is developed in

alignment with the overall strategic direction recommended for the Deloitte network.

# **Quality and Risk**

Wong Poh Jean is Deloitte PLT's A&A Risk Leader and is also Deloitte Malaysia's Reputation and Risk Leader. She has operational responsibility for certain aspects of our system of quality control, reputation and risk management and is a member of the National Executive. Poh Jean is also the Malaysian Conduct & Ethics Leader.

The A&A Quality and Accounting Technical functions are led by Edwin Tan, our A&A National Professional Practice Director ("NPPD"). The NPPD is responsible for all decisions relating to the interpretation of accounting and auditing matters and is a member of the A&A Executive. Edwin is also responsible for remediation matters arising from internal reviews and external inspections.

The A&A Quality and Risk team is responsible for implementing the quality agenda, establishing functionspecific policies and procedures, audit and assurance technical and risk training, monitoring and risk mitigation, and supporting engagement teams on audit technical and risk matters.

#### Other members of the A&A Executive:

Jimmy Lai, Talent
Farrukh Khan, Assurance
Siti Hajar Osman, Growth
Joe Wong
Alvin Chang

In implementing ISQM 1 Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements this year, the firm has designated Yee Wing Peng as the Ultimate Responsible Party ("URP") and Stanley Teo & Edwin Tan as joint Operational Responsible Parties ("ORP"). Our A&A business at our Branch locations are represented by the following audit partners:

- Alvin Chang, Pulau Pinang
- Lim Keng Peo, Ipoh
- Murali A/L Samy, Johor Bahru
- Wong King Yu, East Malaysia (Kuching, Kota Kinabalu and Wilayah Persekutuan Labuan)

# **External and Deloitte Network Contribution**

The following are selected members of our A&A Executive and other audit partners & principals who contribute to external/professional groups from which several quality initiatives emanate:

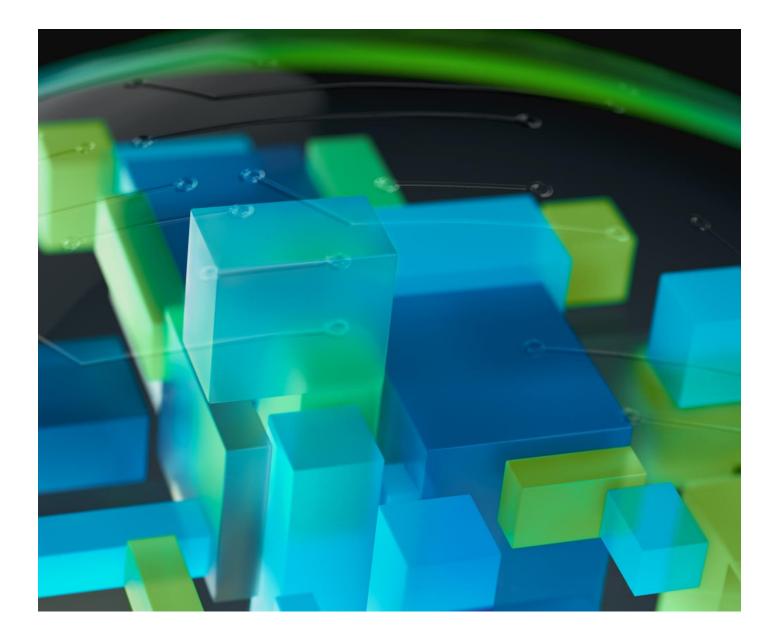
Selected Deloitte PL	A&A Executive
Yee Wing Peng	Council Member, Malaysian Institute of Accountants ("MIA") (to September 2022) Council Member & EXCO, Malaysian Institute of Certified Public Accountants ("MICPA" Co- Chairperson, MICPA Taxation Practice Committee Member, ACCA Malaysia Advisory Committee
Stanley Teo	Council Member, MICPA Chairperson, MICPA Disciplinary Committee Member, MICPA Financial Statement Review Committee Member, MICPA Accounting and Auditing Technical Committee
Jimmy Lai	President, CPA Australia – Malaysia (to December 2022) Member, Public Practice Committee of CPA Australia – Malaysia
Edwin Tan	Council Member, MIA (from September 2022) Member, Audit & Assurance Standards Board ("AASB") of MIA Member, MASB Interpretations Committee Member, MASB MFRS Application and Implementation Committee Member, MASB Working Group (Various) Member, Overseas Regional Council, Chartered Accountants Australia & New Zealand
Siti Hajar Osman	Member, MASB MFRS-9 Emerging Issues Task Force

# **Other Audit Partners & Principals**

YBhg Datuk Peter Lim	Member, ICAEW Members Society, Malaysian Chapter
Mak Wai Kit	Member, Division Council, CPA Australia - Malaysia Member, Digital Transformation Committee, CPA Australia - Malaysia
Sharon Kok	Member, MASB MFRS-17 Implementation Task Force
Tan Hwee Sin	Deputy Chairperson, Young Professional Network Committee, CPA Australia - Malaysia
Wong Kar Choon	Chairperson, Overseas Regional Council, Chartered Accountants Australia & New Zealand Member, MIA Capital Markets Advisory Committee
Wong King Yu	Member, MIA Sarawak Regional Committee
Lim Keng Peo Farrukh Khan Mark Thomson	Member, MASB Working Group (Various)

# Our purpose and commitment: instilling trust and confidence

At Deloitte PLT, our purpose is to make an impact that goes beyond the expected. For Audit & Assurance, this means constantly evolving audit and assurance processes, leveraging leadingedge technology, applying a diversity of skillsets, knowledge, and experience to deliver highquality services. We take great pride in instilling confidence and trust in the capital markets and are committed to relentlessly raising the standards of quality and always acting with integrity, independence, and transparency. We are continuously building our capabilities to support the delivery of high-quality audits and other assurance engagements and making leading contributions to shaping the future of the audit profession.



# Deloitte Audit & Assurance: Our commitment to serving the public interest

# A focus on audit quality

Deloitte's commitment to audit quality permeates everything we do. The independent audit is a central element of the corporate reporting ecosystem, in place to enhance the confidence and trust of investors and other stakeholders, as well as to promote the effective functioning of the capital markets. Deloitte is keenly aware of our obligation to deliver audit services that meet the challenges and complexities of the current environment, while complying with professional and regulatory standards. For the corporate reporting ecosystem to function as intended, it is vital that the auditor's role be executed effectively.

Deloitte is committed to doing more than simply meeting regulatory requirements and conforming to expectations. Deloitte is going beyond the expected to set the standard of excellence for the profession. In keeping with that objective, our commitment to audit quality is unequivocal.

#### **Deloitte Global leadership**

The Deloitte Global Audit & Assurance Executive, which includes the Audit & Assurance Business Leaders from the member firms is led by Jean-Marc Mickeler, the Deloitte Global Audit & Assurance Business Leader, whose responsibilities include defining and driving the Deloitte Global Audit & Assurance strategy, with a particular focus on:

- Driving key audit and assurance initiatives across the Deloitte network to accomplish quality outcomes.
- Leading transformational initiatives to innovate the way our audit and assurance engagements are executed to meet the evolving needs of our stakeholders.

# **Entities Deloitte audits**

As part of Deloitte's Audit & Assurance commitment to supporting the capital markets, we are focused on auditing entities where it serves the public interest and where we have the capabilities to perform a quality audit with objectivity and in compliance with applicable professional standards and laws and regulations, including those relating to ethics and independence.

The company we keep is a critical foundational aspect of our Audit & Assurance strategy and global shared values that guide our behaviour to lead the way, serve with integrity, take care of each other, foster inclusion, and collaborate for measurable impact. The question we ask ourselves is: what type of entities do we, as a global network, want to be associated with? In order to answer this question, an audit and assurance risk appetite statement has been developed to serve as the foundation for the company we want to keep. The risk appetite statement can be used as a tool to promote robust discussion of risk, and as a basis upon which acceptance and continuance decisions can be debated and challenged effectively and credibly. The statement, as shown below sets the tone for our risk culture and aims to drive global consistency in the engagement acceptance and continuance decision making process:

Deloitte's Audit & Assurance portfolio risk appetite underpins our purpose led agenda and reinforces our Principles of Business Conduct, which articulate the standards to which we hold ourselves, wherever in the world we live and work, in order to build and maintain a sustainable business for current and future generations. Consistent with our commitment to purpose and to act in the public interest, we recognize that taking on a degree of risk is a natural consequence of doing business. In order to deliver high-quality audit and assurance services, we proactively identify and manage risk through our quality management processes, policies and procedures to make informed decisions aligned to our strategy and values.

We aspire to have a portfolio of clients that aligns with our shared values, respects our people, recognizes emerging issues and societal responsibilities, and is committed to providing transparency to stakeholders in the corporate reporting ecosystem. We endeavor to have a portfolio that does not include clients that lack integrity, engage in illegal activities, disregard the authenticity of financial accounting and reporting, or are unwilling to establish and maintain sufficient internal controls and related processes.

Deloitte PLT has detailed policies and procedures in place for the acceptance of prospective clients, the continuance of existing engagements and the assessment of engagement risk. These policies and procedures are designed with the objective that Deloitte PLT will only accept or continue with engagements where it:

- Is able to perform the engagement and has the capabilities, including time and resources, to do so.
- Can comply with all relevant professional standards and laws and regulations, including those relating to ethics and independence and conflicts of interest assessments and considerations.
- Considers the client's management team to act with integrity and in alignment with our shared values

# Fewer, stronger member firms

Within the Deloitte member firm structure, Deloitte PLT is part of the Asia Pacific member firm through our Southeast Asia network. As a locally registered and regulated audit firm in Malaysia, we have decision-making authority regarding regulatory matters and professional obligations and maintain ultimate responsibility for the execution of audit and assurance services in accordance with professional standards and local laws and regulations. Deloitte PLT is responsible for maintaining and operating an effective system of quality management to support the performance of high-quality audit and assurance engagements. As a member of a combined firm within the Deloitte network, we work in close cooperation with the other geographies in Southeast Asia and the wider Asia Pacific, and benefit from additional oversight of quality, risk management, and monitoring activities. This structure fosters shared investment in audit innovation and resources as well as the sharing of leading practices across geographies, contributing to our collective aspirations of continuous improvement in audit quality.

At Deloitte, meeting expectations is where our Audit & Assurance services begin.

Our people's commitment to integrity, to serve the public interest, and to deliver high-quality assurance over the areas that matter most to our stakeholders is at the core of everything we do.

Our unwavering dedication to quality drives our sustained quality leadership position. We remain focused on excellence across people, process, and technology. Each of these core components helps us to deliver our vision for a better future, creating an impact that not only meets expectations but goes beyond them.

What does this look like? A constantly evolving audit and assurance practice, leveraging bright minds, effective processes, and world-class technologies from across our global organization while drawing on our years of experience. We deliver high-quality services in an efficient and effective way that upholds integrity, builds confidence, and drives value by focusing on what really matters.

Audit & Assurance transformation is an important shift across the network in the way Deloitte practitioners work and includes:

The Deloitte Way: standardization of audit processes supported by our global technology suite	Real-time audit quality monitoring
Enhanced talent model which includes learning, rewards and recognition, centers of excellence, and delivery centers	Agile deployment of technology solutions to respond to changing environments

# Delivering audit excellence through process, people, and technology transformation<sup>1</sup>

With The Deloitte Way, Deloitte is bringing standardization, consistency, and efficiency to drive

<sup>1</sup> For more information about Deloitte audit innovation, please refer to Deloitte <u>Global Impact Report</u> and <u>Audit innovation</u> and <u>Audit & Assurance: the Deloitte</u> <u>way</u> pages on Deloitte.com. quality into the core of how our audits are executed: with automation that improves routine tasks and analytics that support audit execution—yielding a deeper and more insightful view into the available data. As a result, we are improving the quality of the audits we deliver while also creating a richer talent experience for our people and clients, providing a streamlined, digital audit experience, that provides greater transparency and insights.

Innovation and technology enablement are an expectation in today's fast-changing business environment, and this expectation holds true for the audit profession as well. Today's complex business environment requires that the audit be dynamic, multidimensional, and insightful. There is a demand for real-time, relevant information, and we need to evolve our audits as the entities we audit innovate their businesses and processes. Leveraging evolving technology and data, a Deloitte audit delivers deeper insights to create more consistent and transparent audit and assurance for our stakeholders. Deloitte brings bright minds, effective processes, and world-class technologies from across the global organization to deliver an impact beyond expectations.

Deloitte PLT auditors are enhancing the way they work by making more use of data-driven analytics, as well as cognitive and cloud-based technologies. This is due, in part, to the increased automation and effectiveness these provide, but also the need for Deloitte PLT to stay abreast of technological advances used by the entities that we audit.

Deloitte is committed to the continued investment in emerging technologies and diversity of thought that enables the delivery of enhanced quality, insights, and value to our clients and the markets. Deloitte's global audit platforms, Deloitte Omnia and Deloitte Levvia, demonstrate our commitment to delivering digital, highquality audits of all sizes and levels of complexity. Deloitte Omnia is our cloud-based, end-to-end audit delivery platform for larger and complex audits, while Deloitte Levvia delivers a streamlined, right-sized digital audit experience for low risk and less complex entities. Development, enhancement, and deployment of both platforms will continue over the next few years. Deloitte is also developing and implementing innovative global data and analytics solutions, and our integrated suite of enabling innovation technologies which are all connected in the cloud.

#### Auditing in disruptive times

In the wake of tremendous global disruption marked by public health, political, and social uncertainties over the past few years, the profession, along with all corporate reporting ecosystem stakeholders, has been affected. Deloitte's response to the uncertainties and disruptions has included efforts to continue advancing the profession, while prioritising the wellbeing of its people.

Particularly in the current environment, a sharpened awareness regarding the heightened risk of fraud, the presence of emerging or evolving risk factors, and the need for effective internal control environments remains critical. Although the existing accounting frameworks have provisions for uncertainties, financial statement users and regulators should continue to expect a higher degree of market and economic volatility in the near term.

Deloitte has consistently welcomed public statements and guidance issued by regulators that recognize uncertainties and emphasize the importance of high-quality, forwardlooking corporate disclosures. Greater transparency benefits the public, just as raising awareness about these issues, especially when all corporate reporting ecosystem stakeholders participate. More clarity about the unique and complementary responsibilities of management, audit committees, entities, auditors, regulators, and other stakeholders enables the investing public to hold accountable theses parties in a way that effectively serves the public interest.

The value of high-quality audit and assurance services is not diminished in the midst of global unrest. Rather, investors and other stakeholders continue to call for professional services based on independence and objectivity-based principles and practices to engender trust and inspire confidence in the capital markets—and Deloitte is committed to leading the way. Deloitte PLT's commitment to serving the public interest—especially as it relates to behaving according to the highest standards of ethics, integrity, independence, and transparency is steadfast. Deloitte is keenly aware of the gravity of responsibility that comes with meeting professional obligations and discharging its role as auditors within the corporate reporting ecosystem globally. The following principles remain at the forefront and are continuously reinforced with Audit & Assurance practitioners:

- Exercise professional skepticism and due professional care
- Critically evaluate the quality of audit evidence obtained and determine whether it is sufficient and appropriate to address relevant risks
- Make well-reasoned professional judgments supported by clear documentation
- Foster a culture of excellence and consultation
- Demonstrate commitment to integrity and ethical behavior, including compliance with regulatory and professional obligations
- Stay connected and support one another

# Multidisciplinary model (MDM)

Deloitte's robust multidisciplinary business model comprises audit and assurance, tax, consulting, and risk and financial advisory practices and is an important contributor to the organization's ability to deliver high-quality audit and assurance services. Specifically, the scope of corporate reporting has begun to expand and it is expected to transform drastically in the near future; Financial statements and corporate disclosures will continue to become more complex due to ESG considerations and other matters (cyber, AI, data privacy, etc.). In addition, as big data and other digital advances become routine, the demand for data analysts and IT specialists will grow accordingly.

The MDM remains foundational to Deloitte's cross-disciplinary services globally. Deloitte prides itself on having a deep bench of independent specialists who can be deployed around the world on engagements to provide subject matter expertise and new, insightful perspectives. Deloitte believes that the current MDM helps the organization deliver high-quality audits and assurance engagements in the public interest and reinforces the resilience of the audit and assurance practice. The strengths of the MDM include:

- The possibility to develop industry or thematic insights (e.g., climate, governance, corporate strategy, etc.) through multiple lenses, which enhances auditors' understanding of business risks relevant to conducting audits.
- The MDM enables access to functional specialists and industry experts who are independent, and who provide audit support helping to deliver high-quality audits. This will become more important as we move towards broader corporate reporting.
- The breadth of the MDM is attractive to candidates who may not want to limit their career options to providing audit and assurance services only.
- The scale of the MDM brings greater resilience to each Deloitte business line, including audit and assurance, allowing continued investment in technology, methodology, and process to support delivery of high-quality services.

Deloitte leadership recognizes that each Deloitte business line is important and critical to the organization's ability to deliver on its public interest responsibilities. Management's attention and investment allocation are not limited to the business lines with the highest growth rates.

Deloitte acknowledges the possibility and perception of conflicts of interest, and therefore has robust conflicts and independence policies and systems to help ensure that Deloitte's strategy is executed in alignment with regulatory and professional requirements. In some areas, Deloitte policies are more stringent than professional standards, laws, or regulations.

Environmental, social, and governance (ESG) reporting<sup>2</sup>

The foundations of business are changing rapidly—longterm resiliency and the ability to create enduring value is directly linked to alignment with the values and expectations of society. Market participants and other stakeholders are calling for greater insight into how organizations are building, protecting, and enhancing enterprise value over time, and are specifically demanding enhanced transparency around climate-related and broader ESG impacts and the dependencies of an entity's business model and strategy.

Specifically, Deloitte recognises that climate change poses a risk to financial stability and impacts businesses in many sectors with increased disclosure and reporting expectations from various stakeholders.

Deloitte is taking strategic actions to educate our people on climate change and the potential impact on audited entities to support the execution of high-quality audits, thereby giving appropriate consideration to climaterelated risks and opportunities. This includes the deployment of materials such as a climate learning curriculum, as well as a framework and related guidance to consider climate-related matters as part of the audit.

# **Broader corporate reporting**

Traditional financial reporting is beginning to evolve into broader corporate reporting. To support this evolution, there are standard setting and rulemaking efforts regarding sustainability by the International Sustainability Standards Board (ISSB) and others around the world.

These standards emphasize the need for better connectivity between financial and non-financial reporting and will help users of corporate disclosures better understand and compare information about entities. Further, these standards will enable greater transparency, consistency, and comparability globally, as well as shift the requirements for climate-related reporting from being voluntary to mandatory.

To be effective, the standards need to be adopted globally in a consistent manner to deliver corporate reporting which is comparable, based on the global baseline, and supplemented by local considerations where warranted. These standards will also need to be brought into regulation around the world, together with associated enforcement, monitoring, governance and controls, assurance, and training. The developments in standardsetting and rulemaking are intended not only to create transparency and consistency in global baseline reporting, but also to make clear that information in financial reporting and information contained in sustainability reporting together are essential inputs to inform a stakeholder's view of an entity's value.

Therefore, there is a growing demand for companies to integrate climate-related and other ESG considerations into internal control policies and procedures, enhancing the maturity of systems, processes, and governance over climate-related and other ESG information. As a result, those charged with governance (e.g., audit committees, boards) are increasingly incorporating ESG considerations in their oversight responsibilities of an organization's management, its reporting, and their data-collection processes and controls.

Deloitte understands that given the increased risks associated with climate change, it is important for climate-related factors to be properly incorporated into corporate reporting. Today some stakeholder's expectations may not be met by financial statements prepared in accordance with current accounting frameworks. As corporate reporting continues to evolve and stakeholders accommodate and adapt to market shifts and public sentiment, it is important to allow for appropriate due process in order to develop robust standards applied consistently across the globe and to drive reporting that is responsive to the growing asks of investors and other stakeholders.

Deloitte remains committed to engaging in meaningful and transparent conversations with investors, standardsetters, regulators, and other relevant stakeholders. We also look forward to supporting reduced standard and regulatory fragmentation and to greater market confidence as consistency in standards is realised globally.

# Sustainability reporting in Malaysia

In recent years, there have been significant change in the sustainability regulatory landscape, particularly, in relation to climate change. We welcome Bursa Malaysia's initiative on introducing enhanced sustainability reporting requirements for the Main Market and ACE Market issuers to propel listed issuers in Malaysia to adopt international best practices and remain relevant and competitive in the global markets.

<sup>&</sup>lt;sup>2</sup> For more information about Deloitte's alignment with ESG, please refer to Deloitte <u>Global Impact Report</u>.

Harmonisation of sustainability reporting standards will result in more reliable and comparable sustainabilityrelated information disclosures across markets, which is crucial for the support of more efficient capital allocations. With the launch of ISSB's IFRS S1 and S2 standards on 26 June 2023, we are encouraged that Securities Commission Malaysia (SCM) has established a national level Advisory Committee on Sustainability Reporting (ACSR) to support the implementation of the IFRS Sustainability Standards in Malaysia. The ACSR, chaired by SCM, comprises of representatives from Bank Negara Malaysia, Bursa Malaysia, Companies Commission of Malaysia, Audit Oversight Board and Financial Reporting Foundation. Deloitte PLT is committed to supporting the efforts of ACSR.

# Assurance

With the increased focus and scrutiny of ESG reporting also comes the increased need for confidence over the quality of disclosures and increasing calls for assurance requirements. Individual jurisdictions, such as the European Union and the United States, are moving to introduce or strengthen regulation around sustainability reporting. Assurance requirements are increasingly becoming mandatory.

Providing assurance on ESG information should be expected to follow a professional framework including competence, independence, a system of quality management, and be subject to oversight and inspection as well as professional liability mechanisms to ensure that credible assurance is delivered to the market. Below are specific actions that Deloitte is undertaking to support execution of high-quality assurance that appropriately address ESG voluntary reporting and regulatory requirements:

- Engaging in shaping the capital market infrastructure for sustainability reporting tied to enterprise value through collaboration on climate and ESG standard setting reporting, and assurance initiatives, such as the IFRS Foundation, the International Auditing and Assurance Standards Board, and the International Ethics Standards Board for Accountants.
- Contributing to local working groups established by the MASB and AASB on ESG standards reporting and assurance framework.
- Actively participating in various global platforms such as the World Economic Forum and the 2022 UN Framework Convention on Climate Change (COP27).
- Deployment of enhanced guidance to deliver limited and reasonable ESG assurance through Deloitte's global sustainability assurance methodology. Building capacity through global and localized learning focused on ESG.
- Developing technology-enabled tools, including a tool to evaluate a company's sustainability disclosures against common ESG standards.

Deloitte supports the continued collaboration of all participants in the corporate reporting ecosystem, working together to develop and implement common standards upon which to measure, disclose, and ultimately assure ESG information.

# **Deloitte's commitment**

Further, to help the world achieve the goals of the Paris Agreement<sup>3</sup>, Deloitte has launched <u>WorldClimate</u>, a strategy to drive responsible climate choices within the Deloitte network and beyond.



<sup>3</sup> The <u>Paris Agreement</u> is a legally binding international treaty on climate change. It was adopted by 196 parties at the United Nations (UN) Climate Change Conference (COP21) in Paris, France, on 12 December 2015 and was entered into force on 4 November 2016. Per the UN, its

overarching goal is to hold the increase in the global average temperature to well below 2°C above pre-industrial levels and pursue efforts to limit the temperature increase to 1.5°C above preindustrial levels.

# Shaping the future of the audit profession

The provision of relevant and reliable financial and, increasingly, non-financial information is critical to both the capital markets and broader society. Policy makers, regulators, investors, company directors, audit committees, and auditors all have an important role so that users of corporate information have a clear and robust picture of uncertainties and risks in a company's business model to help support their informed decision making.

Uncertainty and complexity are set to remain a central theme over the coming years, driven by heightened global challenges and the rapid advancement of technology.

Deloitte is committed to establishing a meaningful vision for the future of the profession which addresses the shifting needs of society.

We are continually innovating to address the challenges of efficiency and effectiveness through technology, data, and ways of working. In parallel, the role of audit and assurance in the corporate reporting ecosystem, its responsibility to act in the public interest, and its evolving contribution to societal value remains at the forefront of our work in this area. Through proactive engagement with a range of stakeholders, we seek to understand today's rapidly developing issues faced by society (e.g., ESG, cyber, AI, data privacy, etc.) and the role that audit and assurance can play in responding and driving change for the better.

We strive to engage with these parties, both formally and informally, to share, offer, and debate ideas that foster our collective ambition to ensure the ongoing and growing relevance of audit and assurance to the capital markets.

# Professional development and performance management

Deloitte's culture of excellence and the design of learning programs place people at the forefront<sup>4</sup>. Deloitte practitioners are technically proficient with high levels of ethics, integrity, professional skepticism, and objectivity, applying their judgment and experience with passion and commitment. We are continuously enhancing our skillsets, knowledge, and experience to go beyond the expected and deliver meaningful impact.

Deloitte is committed to delivering an unrivalled talent experience, developing practitioners, and furthering their careers by creating a life-long learning environment—advancing audit education, skillsets, and flexible career options that appeal to auditors of today and tomorrow.

Deloitte practitioners bring diverse backgrounds, knowledge, and skills that enhance capabilities as an organization in delivering the highest quality audits. We support and empower our people to achieve their full potential by valuing and demonstrating diversity, equity, inclusion, and wellbeing. In addition, operational discipline, effective management of the business, and our singular approach to doing audits known as The Deloitte Way provide global consistency to our audits.

Deloitte recognises and rewards its Audit & Assurance practitioners and professionals and makes meaningful investments in their futures.



<sup>&</sup>lt;sup>4</sup> For more information about Deloitte's commitment to its people, please refer to <u>Audit & Assurance People page</u> on Deloitte.com.

# Learning and development initiatives

Deloitte's transformed approach to audit delivery is changing the audit experience for practitioners. Audit teams are empowered by advanced tools and technologies and more extensive use of data and analytics within a guided workflow to execute the end-to-end audit. For Deloitte practitioners, this means focusing on how the engagement is planned, executed, and managed consistently across the globe using forward-looking techniques and capabilities. It also offers opportunities to enhance their technical and professional skillsets and competencies. For example, the following skills remain as important as ever-enhanced data analytics, project management, critical thinking, communication, professional judgment, and the application of accounting and auditing principles to work more effectively and deliver high quality engagements. As capabilities and skillsets are enhanced, we build greater confidence and become ever-better evaluators of risk.

Deloitte has made substantial investments in talent and learning strategies and transformed the technical audit curriculum to build the refreshed skillsets and proficiency required by level:

- At the core, Deloitte has a single, global mandatory audit technical learning curriculum, tailored for learners by level, using a dynamic blend of live instructor-led, digital on-demand courses, and onthe-job activities.
- All client service practitioners are required to complete at least 20 hours of continuing professional education (CPE) each year and at least 120 hours every three years, through structured, formal learning programs, such as internal or external courses, seminars, or e-learning covering all areas of the competency model (e.g., shared competencies, function-specific technical competencies, and competencies in areas of specialisation).
- All client service practitioners have clearly defined role expectations and global Talent Standards which outline the capabilities that are required of practitioners at each level.

Deloitte has also established specific learning opportunities for specialists working on audit engagements to support their knowledge and understanding of the audit process. In addition, our assurance learning offering is being expanded to respond to emerging business needs.

The objective of the Deloitte PLT's professional development program is to help partners and professionals maintain and enhance their professional competence and ensure consistency of audit execution. To supplement on-the-job development, Deloitte PLT provides formal continuing professional development programs in relevant subject areas consistent with the Deloitte Global Audit & Assurance Curriculum.

In addition, we have redesigned many instructor-led audit technical learning programs to a virtual/hybrid learning approach, allowing our professionals to complete the required learning in a flexible working environment.

The Learning team monitors learning and development requirements by:

- Communicating annual learning plans for all levels of our practitioners.
- Placing self-responsibilities for online certification by all practitioners to confirm completeness of their annual learning plans. Our online learning platform allows practitioners to obtain a summary of their CPD hours and monitor their professional obligations.
- Reminding absentees to complete their mandatory courses and rearranging for alternative sessions.

As part of their annual evaluation ratings, all levels of A&A staff and partners are required to certify their completion of annual learning plans. Non-compliance with learning requirements will result in monetary penalties and require remediation.

# Audit & Assurance Leadership appointments

Critical Audit & Assurance (A&A) leadership roles are clearly defined. A role profile and key performance indicator framework provide a basis for consistent leadership appointments and evaluations across the Deloitte Audit & Assurance network and align member firm and Deloitte Global Audit & Assurance strategic objectives. Deloitte has introduced globally consistent standards for member firm Audit & Assurance leaders, including Audit & Assurance Business Leaders, Audit & Assurance Quality Leaders ("AAQL"), and Audit & Assurance Risk Leaders ("AARL") through clearly defined roles, responsibilities, and expected success outcomes. These inform objective setting and evaluation processes and reinforce Deloitte's culture of quality and excellence. Robust monitoring of succession planning helps ensure Deloitte is developing and appointing the appropriate individuals with the capabilities to achieve these consistent standards.

# Remuneration

Execution of high-quality audits is expected from all practitioners and is embedded across the Deloitte network. Audit quality is recognised through reward and recognition programs and is built into performance standards at every level, against which practitioners' overall evaluations are measured.

Deloitte PLT has implemented a Risk & Quality Evaluation framework that ensures our A&A partners continue to adhere and contribute to the overall quality standards of the firm. Further, a Client Leader Evaluation program was established to reward partners with market leadership and management responsibilities.

In accordance with global policies, our A&A partners are evaluated annually, and depending on the outcome of the evaluation, the remuneration of partners may increase or decrease. Specifically, partner evaluations take the following factors into account:

- Quality Leadership Demonstrating strict adherence to regulatory and risk compliance as well as consistent uncompromised delivery of audit quality in client service. Quality and risk is fundamental for our A&A partners and directly impacts their overall performance ratings. Quality remains the key performance area for partners in the quality and risk functions.
- Business Leadership through Profitable Growth -Successful growth of firm revenues and enhancing profitability.
- Client Leadership Retaining, strengthening, and expanding strategic client relationships and consistently delivery of high-quality client work.

- Talent Leadership Demonstrating exemplary commitment and contribution to the attraction, development, and retention of talent.
- As One Supports and leads the firm's strategies and initiatives, contributes as a leader in the firm, and demonstrates cross-business and cross-border behaviour in Deloitte.
- Brand & Eminence Demonstrates strong contribution to firm reputation and eminence building.

Metrics related to the sale of non-audit & assurance services are excluded when evaluating or compensating A&A partners.

Our A&A partner performance and remuneration framework creates a strong link between audit quality and partner remuneration. This includes granular feedback regarding indicators like internal practice reviews and external inspection findings and compliance with firm policies including independence, audit quality indicators to name a few. These quality and risk ratings are assessed independently by the NPPD and AARL.

Partners are rewarded for going above and beyond expected risk protection, quality and ethical behaviours and for promoting such behaviours to their fellow partner and/or teams. As part of their annual evaluation, the NPPD and AARL considers A&A partners who have evidenced significant positive contributions to the quality and risk agenda as well as exceptional quality and risk leadership. Such partners are the beacon of audit quality to their fellow partners and/or teams. Positive behaviour is rewarded through a variety of options including monetary awards or an increase in overall evaluation ratings (which can result in increase of annual adjustment, increase in base remuneration or both).

Findings resulting from annual AOB inspections are an important input, amongst other quality measures, into an A&A partner's quality and risk rating. In considering AOB inspection findings, we also consider the nature and severity of the finding and whether the finding requires significant improvement. We further consider whether the inspection findings are indicative of an issue which requires the broad audit firm response or whether they are unique to the engagement or partner circumstances. There are financial consequences for partners in relation to poor quality and risk ratings. Financial penalties include monetary fines to decreasing annual evaluation ratings (which can result in either loss/reduction of annual adjustment, reduction in base remuneration or both). Financial penalties aside, the said A&A partner would be supported by the firm leadership through reduced audit portfolio, removal from/reduced audits of public interest entities and other firm-wide responsibilities to enable the partner to focus on his/her remediation process.

In 2023, following implementation of ISQM 1 and ISQM 2 Engagement Quality Reviews, the firm has enhanced the above evaluation framework by including positive and negative outcomes on A&A partners arising from their role in monitoring ISQM 1 and as Engagement Quality Reviewers ("EQR") respectively.

# Attraction and retention

The current environment for talent is extremely competitive and attraction and retention of our people is a strategic priority for Deloitte. We acknowledge the challenges our people are facing and recognise our part to re-establish the connections that so many have missed during the COVID-19 pandemic. Deloitte is focused on transforming the Audit & Assurance talent experience, including reimagining the ways of working to improve retention and further advance the diversity, equity, and inclusion (DEI), and wellbeing of Deloitte people. We are looking at opportunities to collectively expand the talent experience. This focus on our people and retention of top talent enhances Deloitte's ability to deliver highquality audits.

Based on AOB's survey of Major Audit Firms, audit

personnel interviewed were satisfied with the leadership of their respective firms, the level of open communication, as well as the inclusiveness and diversity within the firm. They further shared that the firms provided adequate and effective training which promotes employees' professional development. Of those interviewed, 47% indicated that they were willing to continue working with their firms if the issue of long working hours and the corresponding compensation are addressed. At Deloitte PLT, we have proactively taken steps to address work-life balance and remuneration concerns of our audit personnel and have taken transformative initiatives to enable efficiencies in their daily work. This includes:

- A competitive and comparable remuneration package that is commensurable to our talents' needs and qualifications;
- Flexible work arrangements and enhancements such as flexible time and place of work, childcare support, study subsidies, dental and vision/medical benefits as well as extended maternity leave;
- Improvements in technology and tools provided to our audit personnel in a world of data driven audits – removing the mundane and ensuring our talent can focus on auditing areas that matter the most;
- Monitoring of workload hours for partners and personnel including a consistent and common resource allocation framework.

Deloitte supports the initiatives of our accounting professional bodies such as MIA and MICPA to increase the number of qualified professional accountants in the country. The firm supports our audit personnel in their studies by bearing the professional membership fees/cost and giving them the space to excel. 98% of our audit personnel are either professionally qualified or pursuing a professional qualification.

Deloitte continues to receive recognition and awards across the globe for its commitment to delivering an unrivalled talent experience for its people <u>Awards and</u> <u>recognition | Deloitte Global</u>.

# Social Impact

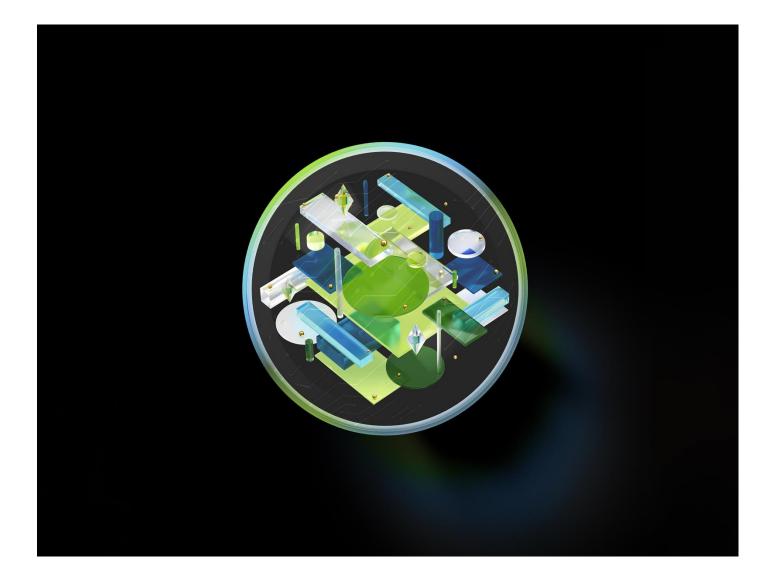
# Making an Impact Every Day

We believe human connection can help create innovative solutions and lasting impact on pressing issues of our time. By harnessing the collective power of Deloitte's network of people, clients, nonprofits, and communities, we aim to achieve lasting social impact for the greater good.



# Deloitte's priority focus on audit quality

Deloitte's commitment to audit quality is central to everything we do. We consistently deliver on this commitment by instilling a culture of quality and excellence across the network, establishing business and financial priorities, and developing effective processes, tools, and technologies applied in the execution of audits. Deloitte's brand is defined by the high-quality audits delivered and by the unwavering commitment to continuous improvement of our systems of quality management. Making sure audit quality keeps pace with emerging economic, business, and regulatory conditions, as well as technological advances, is critical to the continual enhancement of Deloitte's role in protecting the public interest and supporting the effective functioning of the corporate reporting ecosystem.



#### Leadership commitment and tone at the top

Deloitte's culture of quality and excellence begins with strong tone from the top, starting with senior leadership through to the leaders in all our offices and audit and assurance engagements. Deloitte's focus on audit quality is evident through the direct involvement of leaders in initiatives emphasising that quality is the highest priority for audit and assurance practitioners at all levels and consistent messaging that reinforces the importance placed on executing high-quality audit and assurance engagements. Deloitte's relentless pursuit of quality defines not just what we do, but who we are.

# System of quality management (SQM)

Deloitte believes an effective system of quality management is crucial for the consistent performance of high-quality audit engagements and we continue to make significant investments in our people, processes, and technologies that underlie Deloitte's quality management processes.

Regulators and standard setters in Malaysia and globally are also focused on driving further improvements in firms' system of quality management. In December 2020, the IAASB released its new, revised suite of quality management standards, including International Standard on Quality Management 1 (ISQM 1). Systems of quality management in compliance with ISQM 1 were required to be designed and implemented by 15 December 2022. ISQM 1 introduced a risk-based approach to the SQM that require firms to respond to quality objectives and risks to our ability to execute high-quality audits in the following areas:

- The firm's risk assessment process;
- Governance and leadership;
- Relevant ethical requirements;
- Acceptance and continuance of client relationships and specific engagements;
- Engagement performance;
- Resources;
- Information and communication; and
- The monitoring and remediation process.

The effective implementation of ISQM 1 has been and remains a key element of Deloitte's global audit quality strategy. Deloitte PLT's ISQM 1 implementation activities were completed by 15 December 2022, building on the multi-year investments and commitment already delivered to go beyond the requirements of the existing professional standards.

As part of the implementation of ISQM 1, quality objectives, quality risks and responses were formalized and brought together in a globally consistent technology platform to facilitate the design and maintenance of the system, as well as the operation through tri-annual selfassessments by business process owners and reporting capabilities to support the required annual evaluation.

Deloitte PLT continues to work with leaders across the firm, as well as the broader network, to further enhance our proactive approach to managing the quality of engagements performed—identifying and addressing risks to audit quality and driving continued advancements in quality management processes serves us well into the future as the environment within which we operate continues to evolve and become increasingly complex.

Consistent with Deloitte's culture of continuous improvement and innovation, Deloitte PLT's ISQM 1 implementation efforts have provided us the opportunity to challenge ourselves—examining those areas where we can further enhance and transform our system of quality management. Audit quality is always front and center, and robust audit quality monitoring processes play an integral role in our ability to continually improve. The first annual evaluation of the systems of quality management are required to be performed within one year following 15 December 2022. Deloitte PLT performed its first evaluation of its SQM as of 31 May 2023.

# Conclusion on the effectiveness of the system of quality management

Deloitte PLT is responsible for designing, implementing, and operating a system of quality management (SQM) for audits or reviews of financial statements, or other assurance or related services engagements performed by the firm, that provides the firm with reasonable assurance that the objectives of the SQM are being achieved. The objectives are:

- The firm and its personnel fulfil their responsibilities in accordance with professional standards and applicable legal and regulatory requirements, and conduct engagements in accordance with such standards and requirements; and
- Engagement reports issued by the firm or engagement partners are appropriate in the circumstances.
- Deloitte PLT conducted its evaluation in accordance with ISQM 1.

Deloitte PLT concluded that the SQM provides the firm with reasonable assurance that objectives of the SQM are being achieved as of 31 May 2023.

Reasonable assurance is obtained when the system of quality management reduces to an acceptably low level the risk that the objectives of the SQM are not achieved. Reasonable assurance is not an absolute level of assurance, because there are inherent limitations of a system of quality management.

# **Independence, objectivity, and professional skepticism** The execution of high-quality audits requires independence, objectivity, and professional skepticism.

This means a continuous and tangible focus on Deloitte's critical role in serving the public interest, including creating a culture of quality where doing the right thing is of paramount importance. Deloitte consistently reinforces the important role of auditors as independent evaluators who must maintain a mindset of professional skepticism throughout the conduct of our work. This approach to the audit is reflected in Deloitte policies, methods, procedures, and learning, and is reinforced through quality management and accountability measures.

# Audit approach

Deloitte's approach to performing a high-quality audit involves the use of an audit methodology, common across the Deloitte network, supplemented by audit tools for use by our practitioners to plan, perform, supervise, review, document, conclude, and communicate the results of each audit. Deloitte's audit approach is underpinned by professional standards, as well as requirements of applicable laws and regulations.

Deloitte's audit methodology is risk-based, focusing on the financial statement account balances, disclosures, and underlying assertions that have a reasonable possibility of being materially misstated. Our audit methodology is also dynamic—it evolves continuously to keep pace with the changing demands of investors, companies, and other stakeholders. It recognizes that advances in the availability and management of large data sets and in statistical science are relevant to continuing to enhance the quality of Deloitte audits.

# Resources to support Deloitte practitioners in the execution of high-quality audits

The resources applied by Deloitte practitioners in the performance of their audits include the proprietary tools, guidance, materials, and practice aids used in conducting audits, which are available to all our practitioners in the Deloitte Global Technical Library, an extensive online library, and in our audit execution platforms (EMS, Deloitte Omnia, and Deloitte Levvia). Deloitte regularly issues accounting and auditing guidance to our practitioners and communicates developments that should be factored into audit risk assessments and responses to maintain and drive quality audit execution.

# Consultation

Quality and risk management considerations are integral to Deloitte's audit business and to the performance of audit engagements. That is why Deloitte views consultation as an essential, collaborative process—one that involves robust challenge and helps determine the most appropriate answers to complex questions. Deloitte has identified circumstances where consultation outside of the engagement team is required in order to demonstrate an appropriate level of professional judgment and the exercise of professional skepticism. Deloitte consultation policies require that conclusions are documented, understood, and implemented.

Foundational to the effectiveness of the consultation process is Deloitte's investment in consultation resources who have the appropriate skills and expertise. In addition to formal consultations, whenever engagement partners and teams need additional information or perspectives, they are encouraged to seek assistance from internal specialists (tax, valuation, IT etc.), members of the Professional Practice Department (PPD), or others in the organization with specialised knowledge.

Deloitte partners and personnel are reminded frequently - When in doubt - consult, consult, consult!

# External and internal audit quality monitoring

# Monitoring of audit quality

A continued focus on audit quality is of paramount importance to the Deloitte brand. It is critical that a Deloitte audit is consistently executed and of high-quality, wherever in the world it is performed.

The objective of monitoring and remediation processes are to provide relevant, reliable, and timely information about the design, implementation, and operation of the system of quality management to leadership to enable appropriate and timely actions to be taken to respond to identified deficiencies. This includes the identification of deficiencies and good practices in the system of quality management and the assessment of the effectiveness of remedial actions in driving improvements in audit quality.

System of quality management (SQM) monitoring SQM monitoring is an integral part of Deloitte PLT's monitoring activities and considers relevant requirements in ISQM 1, as well as evaluating the design, implementation and operating effectiveness of responses that address the quality risks that have been identified for the firm.

Audit Quality Indicators (AQIs) are used in conjunction with other metrics to further assist Deloitte PLT in developing and monitoring audit quality action plans and reporting on the progress in its audit quality journey.

# Monitoring of in-process engagements

Continuous audit quality monitoring by Deloitte PLT involves the proactive identification of audit issues on inprocess engagements in order to drive timely solutions and real time corrective actions. This is achieved through the following suite of activities:

 Deployment and monitoring of a series of core diagnostics, enabling engagement partners and teams, as well as Deloitte PLT audit quality leader(s) to continuously monitor audit quality and take immediate action.  A program of subject matter specific "health checks" to assist Deloitte PLT audit quality leader(s) in assessing progress and identifying potential issues on in-process engagements.

Results of monitoring of in-process engagements are evaluated overall to determine whether additional communication and support is needed for audit engagement teams with respect to adherence to the audit methodology or updates thereto.

# Enspections of completed engagements

Key components of inspections of completed engagements include:

- Risk-based engagement selection and consideration of all major industries served by Deloitte PLT.
- Mandatory moderation panel to drive consistency in findings and engagement ratings.
- Network monitoring with external partners and deputies, independent of Deloitte PLT, who drive global consistency by providing input and sharing best practices for monitoring programs.
- Identifying appropriate resources (from within Deloitte PLT as well as from other Deloitte geographies) with the right experience and industry knowledge, including establishing central review teams.

Details of our 2023 engagement reviews are disclosed in Appendix B to this report.

# **External inspections**

In addition to Deloitte PLT's own monitoring of audit quality, we are subject to external monitoring by the Audit Oversight Board (AOB) of the Securities Commission of Malaysia (SC) and the US Public Companies Oversight Board (PCAOB).

Details of our external inspection results are disclosed in Appendix B to this report.

# () Root cause analysis and remediation

Continuous improvement is essential to Deloitte's culture of quality and excellence. Understanding why engagement level findings and SQM deficiencies occur is critical to being able to design effective remedial actions. When engagement level findings or SQM deficiencies are identified, whether through internal or external monitoring activities, actions are taken to identify gaps and develop appropriate remediation activities. Remediation is imperative to drive continuous improvement in audit quality and avoid future similar findings. An audit quality plan is prepared by Deloitte PLT and provides for effective implementation and monitoring of key audit quality priorities.



# Independence, ethics, and additional disclosures

# **Deloitte Global Independence**

Sets **independence policies and procedural expectations** based upon the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants and, where applicable, the independence standards of the US Securities and Exchange Commission and the Public Company Accounting Oversight Board.

Supports firms, as needed, with their ongoing SQM monitoring activities and gives insights into global areas of focus. On a three-year cycle, performs **network monitoring activities** through its monitoring program, providing recommendations and observations for consideration as part of firms' Monitoring & Remediation activities. In-depth follow-up reviews are conducted as needed.

Provides firms with **technical independence expertise**, as required, which also informs potential enhancements to global policies, procedural expectations, tools, and practice support activities.

Delivers **global systems** to provide its people with entity information to support compliance with personal and professional independence requirements, including financial interests, scope of service and business relationship approvals.

Promotes **independence awareness** across the Deloitte network through active engagement with independence and business leadership groups, periodic communications and alerts, and development of guidance, learning, and instructions.

# **Deloitte PLT's Independence**

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Deloitte PLT has quality responses that address quality objectives and quality risks as they relate to the relevant ethical requirements for independence. These responses include policies and procedures that are based on expectations set out in Deloitte Global Independence policies, and which are supplemented, as appropriate, to reflect additional national or regional requirements that may be more restrictive than Deloitte Global policies. Deloitte PLT's leadership reinforces the importance of compliance with independence and related quality management standards, thereby setting the appropriate tone at the top and instilling its importance into the professional values and culture of Deloitte PLT. Strategies and procedures to communicate the importance of independence to partners, other practitioners, and support staff have been adopted, emphasising each

individual's responsibility to understand and meet the independence requirements.

Wong Poh Jean, as the firm's Director of Independence is responsible for overseeing independence matters within Deloitte PLT, including the design, implementation, operation, monitoring, and maintenance of the system of quality management related to independence. As part of the firm's system of quality management, Deloitte PLT has:

- Implemented responses to address quality objectives and quality risks it has identified for its key independence areas;
- Performed appropriate monitoring activities over its key independence areas; and
- Has appropriate independence governance in place.

The firm's key independence areas include:

- Client, engagement, and business relationships, including use of the independence business process tools, the Deloitte Entity Search and Compliance (DESC) system, and the Service Request Monitoring (SRM) application
- Firm and personal financial relationships, including the use of the Global Independence Monitoring System (GIMS)
- Employment and other relationships
- Independence confirmations
- Independence consultations
- Independence-related policies, communications, and learning
- Breaches of independence requirements
- Disciplinary measures for failures to adhere to applicable independence requirements

DESC

**Deloitte Entity Search and Compliance** 

Global, searchable database containing specific entity information relevant in determining personal and professional independence restrictions

Service Request Monitoring

Application integrated with DESC that provides a standard business process workflow for submitting and reviewing preapproval requests to provide services to and enter business relationships with clients

Global Independence Monitoring System

Application that contains financial relationship data with relevant independence compliance indicators

# Long association requirements of audit partners and practitioners

Rotation of engagement partners, EQRs and other key audit partners helps provide a new perspective to audit engagements, ensures professional skepticism is maintained, and reduces familiarity and self-interest threats to independence.

Our rotation policies require the engagement partner, EQR and other key audit partners for the audits of PIEs to be rotated after 7 cumulative years of service unless a shorter cumulative period of service is mandated by law or due to said audit partner's previous involvement in the audit of a PIE as audit manager. Examples of such shorter period of service mandated by law include audits of Licensed Financial Institutions regulated by Bank Negara Malaysia, whereby the cumulative period of service is 5 years. Following rotation, these audit partners are not permitted to be involved in the audit engagement or undertake other client-specific roles for a period of 2, 3 or 5 years, depending on their role.

In addition, the firm's rotation policies also consider the threat of familiarity arising from senior personnel with long association in audits of PIEs as they progress their career in the firm.

The Quality & Risk function tracks the number of years of audit partner involvement, to facilitate succession planning and monitor compliance with the rotation requirements. Engagement partners, EQRs and other key audit partners are required to notify the Quality and Risk function for evaluation prior to making any changes to their roles as it relates to PIEs.

# Ethics

All Deloitte people are expected to act with integrity in accordance with high ethical standards as described in the Deloitte <u>Global Principles of Business Conduct</u> ("Global Code"). The Global Code is embedded into each member firm's Code of Conduct and defines the commitments that all Deloitte people make regarding ethical standards, as well as explaining each individual's responsibilities to their clients, colleagues, and society.

In addition to the Global Code, other foundational elements of Deloitte's ethics program include global policies, a program of training and communications, and established reporting channels supported by defined incident management protocols. For continuous improvement, regular program assessments and reviews are conducted, and feedback is collected from Deloitte people through an annual ethics survey. Ethics at Deloitte is led by the Deloitte Global Chief Ethics Officer at the global level, and by member firm Ethics Officers at the local level, all of whom are experienced partners with direct access to the member firm's CEO and governing body. Deloitte Global and member firm ethics leaders work together to continually monitor risk and to reinforce compliance with the Global Code.

Deloitte PLT maintains policies and procedures that build on the global policies and are designed to provide reasonable assurance that its people comply with relevant ethical requirements.

The ethical requirements for audit and related assurance services provided by Deloitte are in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants*. Deloitte PLT also complies with Deloitte Global policies and procedures, which align with the requirements and guidance set out in the *International Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants*, a standard-setting body of the International Federation of Accountants (IFAC). When the By-Laws are more restrictive than the Deloitte Global policies and procedures, Deloitte PLT follows the applicable By-Laws.

Deloitte PLT reinforces its commitment to ethics and integrity through communication tools, learning programs, compliance processes, and measurement systems for all people. Learning includes targeted content for onboarding, manager and senior manager promotion, partner admission, independent contractors, and refresher programs every two years. Recent global training topics have included a focus on the importance of owning up to one's mistakes, navigating personal relationships in the workplace, and demonstrating respect, integrity and professionalism on social media, and courses have included a confirmation that professionals are aware that answers should not be shared with others and doing so would constitute a violation of the Global Code. In addition, Deloitte Malaysia conducts ethics reviews for senior leaders and requires all partners, other practitioners, and support staff to confirm annually that they have read and comprehended the member firm's Code of Conduct and understand that it is their responsibility to comply with it.

In our 2022 Deloitte Malaysia Ethics Survey, it is noted that a significant number of survey respondents indicated, among others, that Deloitte Malaysia

- is an ethical place to work;
- creates an environment where people feel empowered to raise concerns and without fear of retaliation; and
- will take action to address unethical conduct when reported.

# Anti-Money Laundering (AML)

Deloitte supports the fight against financial crime in all forms and is committed to comply with all relevant laws. This includes a commitment to conduct business in a manner that is designed to prevent money laundering, and to refrain from activities that could potentially facilitate money laundering. This aligns to our values, purpose, and public interest commitment.

Our internal policies are consistent with good commercial practices and the expectations of relevant authorities, specifically Bank Negara Malaysia ("BNM") as the designated competent authority and regulator under the Anti-Money Laundering and Anti-Terrorism Financing Act 2001. These policies are regularly assessed to ensure compliance to new/additional requirements of BNM. Deloitte Malaysia's appointed AML Reporting Officer ("AMLRO") is Wong Poh Jean. The role of the AMLRO is to ensure the firm's compliance with the requirements of the Anti-Money Laundering and Anti-Terrorism Financing Act 2001 and its subsidiary legislation and relevant instruments to the extent that it applies to the practice in discharging its responsibilities as a Reporting Institution.

# Anti-bribery and corruption

As part of its commitment to reducing corruption, Deloitte Global is a founding signatory of the UN Global Compact and the Partnering Against Corruption Initiative of the World Economic Forum.

We are against corruption in any form and stand firmly against bribery to contribute to good governance, economic development, and the improvement of social welfare wherever we do business. We are committed to working in an ethical, lawful, and professional manner as set forth in the DTTL Policies Manual and the Global Principles of Business Conduct of the Member Firms of DTTL. We neither pay bribes nor accept them, nor induce or permit any other party to make or receive bribes on our behalf and we support efforts to eradicate corruption and financial crime.

We have in place an anti-bribery and corruption policy that applies to all our partners, and employees are required to read, understand, and adhere to the policy.

# **Deloitte Global Ethics**

Deloitte is committed to conducting business with honesty, distinctive quality, and high standards of professional behavior.

**Deloitte's Global Principles of Business Conduct ("Global Code")** outlines Deloitte's ethical commitments as a network and expectations for Deloitte's approximately 457,000 people, giving a strong, principled foundation. The foundations of the network's ethics program is comprised of the following elements:



# Appendices

# Appendix A | Affiliated entities

# Affiliated entities

Deloitte PLT (LLP0010145-LCA) (AF0080) is affiliated with several entities in Malaysia that make up Deloitte Malaysia. These affiliates, including Deloitte PLT, provide services including audit, risk advisory, tax, financial advisory and internal services as separate legal entities, with their own management to align with the way we conduct our business.

Agensi Pekerjaan Deloitte Sdn Bhd Deloitte & Touche PLT (LLP0010197-LCA) (AF0834) Deloitte BPO Sdn Bhd Deloitte Business Advisory Sdn Bhd Deloitte Corporate Advisory Services Sdn Bhd Deloitte Corporate Solutions Sdn Bhd Deloitte Regional Services Centre Sdn Bhd Deloitte Restructuring Services PLT (LLP0028751-LCA) Deloitte Tax Services Sdn Bhd Deloitte Touche Tohmatsu Tax Services Sdn Bhd Perintis Deloitte Sdn Bhd Yayasan Deloitte KassimChan

# Disclosure of other ownership information

No partner of Deloitte PLT holds substantial equity in the firm as each partner is entitled to one (1) vote each on all matters falling to be determined or agreed at any meeting of the partners.

Consistent with AOB's requirements, there are no AOB registered audit partners of Deloitte PLT, who are also audit partners of Deloitte & Touche PLT.

# **Disclosure of family relationships**

There are no family relationships between partners undertaking leadership roles or holding substantial equity in Deloitte PLT with other partners of Deloitte PLT.

# Appendix B | Audit quality indicators

Audit quality indicators ("AQIs") provide measurable data on the auditors' ability and commitment to deliver quality audits and are an integral component to support our audit quality improvement efforts. Our transparency report focuses on the following AQIs:

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

The figures below are as of 31 May except for learning hours which are monitored based on calendar year. National numbers (year-ended 31 December 2022) are derived from the <u>Audit Oversight Board's Annual Inspection Report 2022</u> for Major Audit Firms.

# Audit partner workload

Partner workload statistics (AOB-registered partners leading PIE audits only)

	2023	2022	2021	National
Average number of PIEs per partner	3	3	3	5
Average number of entities related to PIEs per	33	39	37	55
partner				
Average number of non-PIEs per partner	53	72	86	109

At Deloitte PLT, we apply a partner portfolio allocation framework which considers, amongst others – years of experience vs. number of listed entities assigned/engagement risk assigned, industry specialisation and partners with leadership roles. Our globally consistent client acceptance and engagement continuance review process ensures we pursue and/or retain those clients that meet our Risk Appetite Statement (refer pages 7 and 8) – achieving the best of economics whilst prioritising audit quality.

We do not register all audit partners with the AOB as only audit partners leading PIE audits are required to be registered. This is part of our proactive and focused strategy to:

- drive audit quality and alleviate the workload of AOB-registered partners;
- enable a differentiated talent model for the most experienced of our professionals to be leaders and participate as partners of the firm; and
- achieve sustainable and balanced growth and profitability.

This strategy results in our lower than national average workload for each AOB-registered partner of the firm ensuring they can meet the expected audit quality and regulatory requirements for PIE audits.

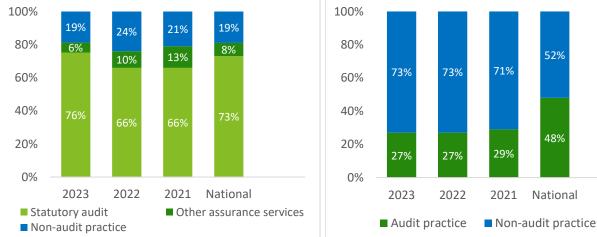
Other measures taken by the firm to manage audit partner workload while enhancing audit quality include use of a Centre of Excellence for Engagement Quality Reviews ("EQR") on applicable non-PIEs and a centralised EQR-assistant function to support EQR partners on PIE audits and engagements with elevated engagement risks. We continue to deploy digital tools and assets to streamline our audit work and enhance the efficiencies for audit partners to focus on those risks that matter the most. The range of PIE audit clients with December financial year-end per audit partner is between 1 to 4 (2022: 1 to 4; 2020: 1 to 5).

# Auditor independence

Our disclosures concerning compliance with the relevant independence policies and procedures with the applicable professional standards are disclosed in our Independence, ethics and other disclosure section above. Our A&A partners are included as part of Deloitte Malaysia's annual independence testing. Partners who do not meet our strict internal independence policies are subjected to penalties during their annual performance evaluation (refer to Partner Remuneration section above). The results of our independence testing are also shared with the AOB as part of their annual regular inspection of the firm for purposes of validating our Systems of Quality Management.

# from audit clients (Chart A)

Proportion of fee income of Deloitte Malaysia derived



Proportion of fee income of Deloitte Malaysia (audit vs. non-audit practice) from all clients (Chart B)

52%

48%

National

The firm implements a common and consistent audit client acceptance and continuance process to ensure we serve the right clients from a risk and regulatory perspective. This is strengthened by our Risk Appetite Statement that defines the company we keep. The aim for our audit practice is to achieve a sustainable balanced growth that meets the rigorous audit quality requirements expected of us by our stakeholders whilst providing an experience for our talent to thrive.

Deloitte Malaysia's proportion of fee income derived from the audit practice (Chart B) is consistent to prior years but significantly lower from the National average. Our non-audit practice includes tax, risk advisory and financial advisory services. Historically, the proportion of our non-audit practice has been larger as:

- we have a strong tax and advisory (risk and financial) practice<sup>5</sup> which complements the specialist support to our audit practice under our MDM practice model. This enables the audit practice to leverage expert knowledge in areas of complex and significant estimates; and
- other non-audit advisory services are not performed by the audit practice but by others within Deloitte Malaysia.

Further, the higher proportion of statutory audit fees this year (Chart A) is due to right-sizing the base fees to commensurate with the increasing cost of quality and operations. Whilst we continue to forge ahead with digitisation and use of technology, the escalating cost of talent, operational costs and macroeconomic factors have impacted the level of acceptable fees during the year.

All non-audit services to any audit client require strict independence pre-approvals prior to commencement. This now includes those measures resulting from IESBA's new provisions to strengthen auditor independence for PIEs (Non-Assurance Services provisions) Metrics related to the sale of non-audit & assurance services are excluded when evaluating or compensating audit partners.

<sup>&</sup>lt;sup>5</sup> For instance, Deloitte Malaysia's tax practice was recognised by the International Tax Review (ITR) in their 2023 Asia Tax Award as the Malaysian Tax Firm of the Year for the 5th year running.

# Capacity and competency of the audit practice

# Audit practice composition by level

	Partners		Managerial <sup>6</sup>		Non-Managerial		Total	
	Headcount	%	Headcount	%	Headcount	%	Headcount	
2023	28	5	129	24	385	71	542	
2022	28	5	138	24	398	71	564	
2021	26	4	174	28	428	68	628	
National	-	5	-	15	-	80	-	

# Audit practice by years of experience

	Partners	Managerial <sup>8</sup>	Non-Managerial
2023	22.3	9.8	2.3
2022	20.8	9.8	2.2
2021	20.7	9.0	2.8
National	23.0	10.0	2.0

# Turnover of audit personnel (%)

	Overall	Managerial	Non-Managerial
2023	28.5	30.1	29.3
2022	36.1	36.5	37.4
2021	22.8	18.7	25.2
National	33.0	-	-

After a significant increase in our attrition rate in 2022, a period of stabilisation has begun to occur. The firm continues to see challenges in retaining talent in face of competition from overseas and local industry. As mentioned previously, our A&A practitioners at all levels have extensive audit and assurance experience and receive structured training during their time at Deloitte. As a result, the skills they acquire at Deloitte improves their attractiveness to other employers. Please refer to page 18 of this report on how we have proactively taken steps to ensure we recruit and retain our greatest assets.

The composition of experience by job levels continues to be consistent to prior years with a heavier weight towards managerial and above due to the complexity of our engagements.

# Audit practitioners with professional qualification (%)

	2023		2022		2021		National
	Count	%	Count	%	Count	%	%
With professional qualifications and/or MIA membership	223	41.1	185	32.8	244	38.9	20.0
Pursuing professional qualifications and/or MIA membership	310	57.2	376	66.7	379	60.3	65.0
Without professional qualifications and/or MIA membership	9	1.7	3	0.5	5	0.8	15.0
Total	542	100.0	564	100.0	628	100.0	100.0

<sup>&</sup>lt;sup>6</sup> This statistic includes our Assistant Managers as they are considered having attained the managerial career milestone in Deloitte.

As a Major Audit Firm, we are committed to ensuring our practitioners are professionally qualified through membership of MIA, other recognised professional qualifications, or both. This is reflected in the significantly higher proportion of our practitioners either having obtained their professional qualification or are in the process of pursuing one when compared to the National average (98.3% versus 85%). The firm continues its investment in talent by subsidising professional examination fees, providing study and examination leave and paying for annual professional subscription fees of our practitioners.

# Audit engagement supervision

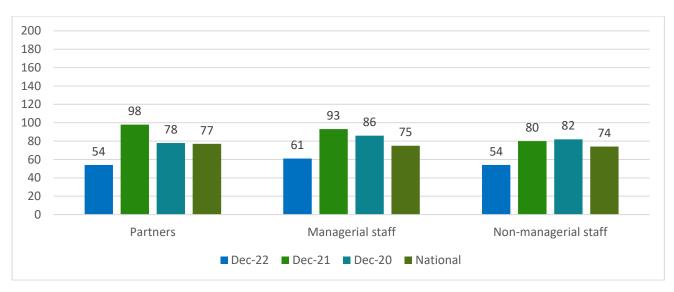
#### Leverage ratios

	2023	2022	2021	National
Staff to partner	18.4	19.1	23.2	23.0
Staff to manager (including assistant managers)	3.0	2.9	2.5	6.0

The leverage ratio of the firm is consistent to prior years. We continue to implement transformative initiatives through (i) better engagement/coaching time with engagement team members and (ii) effective deployment of technology and tools in completing our audits within a hybrid working environment. With appropriate use of digital tools, we liberate hours previously spent on mundane and standardised procedures – ensuring our staff can be efficient and effective.

# Firm's investment to uphold audit quality

#### Hours of training (by level)



Overall, our training hours (monitored by calendar year) are more than sufficient to meet our professionals' annual structured learning requirements as required by MIA. The decrease in learning hours at all levels from previous year was contributed by learning requirements of a new audit platform for audits of non-complex entities. During 2022, in addition to our core audit and accounting updates/reminders, we included learning topics in areas of climate change and sustainability, the new IESBA NAS provisions, and anti-corruption/financial crime awareness.

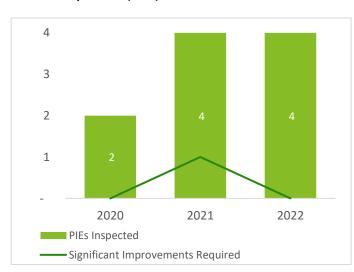
# Ratio of quality & risk team to audit staff

	2023	2022	2021
Full time	10	10	10
Part time	4	5	5
Total	14	15	15
Quality & risk function per audit staff	1:39	1:38	1:42

The ratio of quality & risk team to audit staff in the firm is consistent with the National average of 1:39.

The quality & risk organisation at Deloitte PLT includes those personnel with responsibilities in risk, systems of quality control, engagement quality control reviews, audit methodology, learning and accounting technical. A number of these personnel that are classified "part time" above also have audit client-facing roles and other firm-wide risk responsibilities that complement their position in the quality & risk organisation. Being a part of the Deloitte network, the audit practice benefits from regional and global quality & risk resources in areas of consultation, guidance, and a consistent and common system of quality control. As mentioned previously, we also leverage on the capabilities of our regional Centre of Excellence in areas of EQR (for non-PIE audits). Should these resources be considered, the ratio of quality & risk function per audit staff increases due to higher quality & risk support available.

# External and internal monitoring reviews



# External inspections (AOB)

# Note:

The National average percentage of inspected engagement with significant improvements required in 2022 for Major Audit Firms is 15% whilst for Other Audit Firms, it is 68%.

At the end of every inspection, the AOB determines the severity of findings arising from each engagement review. Where engagement partners are imposed with specific remediation measures or routed to AOB's Enforcement, Regulation and Quality ("ERQ") department, the AOB classifies the engagement inspected as requiring significant improvements. We are pleased to report that there are no engagements with significant improvements required arising from the AOB's most recent inspection of selected engagements.

For an engagement inspected in 2021, an audit partner was required to attend specific approved training program to address relevant ISA requirements identified from the inspection findings and be subjected to an internal quality review where the outcome of the review was to be reported to the AOB within a specified timeframe. The engagement reviewed did not require any modification to its audit opinion or restatement of previously authorised financial statements. With the execution of a targeted quality and remediation plan, the said audit partner was inspected internally in FY2023 and received a Compliant rating. The said remediation plan proposed to the AOB was also completed.

As part of its annual regular inspection prior to ISQM 1<sup>7</sup>, the AOB also reviewed aspects of our quality control systems in accordance with the requirements of ISQC-1. In reviewing our quality control systems, the AOB considered areas such as leadership responsibilities for quality within the firm, our compliance with relevant ethical standards, our client acceptance and continuance processes, the human resource function, our performance of engagements (including methodology areas) and how we monitor our quality policies and procedures. The AOB has provided better practice recommendations that we have considered and have incorporated/in processes of incorporating into our audit quality control systems. Following our 2022 AOB inspection, we have taken steps to improve the evidence of audit partners' evaluation for new client acceptances. We further take note of AOB's *Guidelines on Continuing Obligations for Registered Auditors* that was issued on 26 June 2023 which includes obligations of outgoing auditors to the AOB in situations of resignation and removal from office.

As of 31 May 2023, the AOB's 2023 annual regular inspection has not commenced.

# **External inspections (PCAOB)**

Deloitte PLT is a registered firm with the Public Company Accounting Oversight Board ("PCAOB") in the United States of America (registration no. 5641). Our last inspection by the PCAOB was in November 2017, for which a report was issued on 1 November 2018. The PCAOB publishes a report on its website in relation to each firm inspected (see <a href="http://www.pcaobus.org">www.pcaobus.org</a>). There were no external inspections by the PCAOB on the firm for the year ended 31 May 2023.

	FYE May 2021 (2020 internal review)		FYE May 2022 (2021 internal review)		FYE May 2023 (2022 internal review)	
Ratings	PIE	Non-PIE	PIE	Non-PIE	PIE	Non-PIE
Compliant	5	4	2	2	6	3
Improvement Required	1	-	-	1	1	1
Non-Compliant	-	-	1	-	-	-
Total engagements selected	6	4	3	3	7	4

# Internal reviews – engagement reviews<sup>8</sup>

At the end of each internal review, findings are moderated centrally by a moderation panel who applies Deloitte's expectations of quality to ensure that findings are classified consistently. The moderation panel determines the rating for each review. In grading engagements, the emphasis is on the significance of the finding(s).

For internal reviews we classify engagements as either Compliant, Improvement Required or Non-Compliant.

- A Compliant rating indicates there are no exceptions, or the exceptions identified are of a very minor nature relating to isolated instances of non-compliance with certain policies, requirements or standards;
- An Improvement Required rating indicates non-compliance with certain policies, requirements or professional standards that collectively are not so significant or pervasive as to result in an engagement review that is rated Non-Compliant.
- A Non-Compliant rating indicates that non-compliance with several policies, requirements or professional standards has been identified and it cannot be determined that policies, requirements or professional standards reviewed are fully implemented.

The firm continues to focus its quality efforts in response to engagement findings in areas of use of experts and specialists, accounting estimates (including fair value measurements) and revenue recognition. Such efforts include engagement specific remediation, coaching of selected engagement partners, ensuring engagement review findings topics are included in periodic training materials and briefing EQR reviewers on areas of common findings.

<sup>&</sup>lt;sup>7</sup> ISQM 1 Quality Management for Firms that Perform Audits or Reviews of Finance Statements, or Other Assurance or Related Engagements was effective as of 15 December 2022.

<sup>&</sup>lt;sup>8</sup> As of 31 May 2023, our 2023 internal engagement inspections have not commenced.

The Non-Compliant rated engagement reviewed in FY2022 did not require any modifications to audit opinion or restatement of previously authorised financial statements. With the execution of a targeted quality and remediation plan, the said partner was inspected again in FY2023 and received a Compliant rating.

The Monitoring & Remediation leader oversees causal factor analysis (CFA) and approves remediation plans and procedures post-internal reviews. Partners with an engagement that received a Non-Compliant rating are subjected to review in the next internal review period and additional quality measures including portfolio reassignment, specific learning programs, coaching and additional supervision are implemented.

# Internal reviews – system of quality management

Deloitte PLT adopted ISQM 1 which was effective as of 15 December 2022. Disclosures as to the firm's system of quality management (SQM) and its conclusion on the effectiveness of the SQM have been provided in pages 20 and 21 of this report. The firm concluded that the SQM provides the firm with reasonable assurance that objectives of the SQM are being achieved as of 31 May 2023. There were no deficiencies identified that were severe and/or pervasive.

# Appendix C | List of PIEs

The following are a list of public interest entities and schedule funds (as defined in Schedule 1, Securities Commission Malaysia Act 1993) audited by Deloitte PLT as of 31 May 2023:

# **Public interest entities**

- Aeon Credit Service (M) Berhad
- Areca Capital Sdn. Bhd.
- Asia Capital Reinsurance Malaysia Sdn. Bhd.
- Bank Simpanan Nasional<sup>1</sup>
- Bangkok Bank Berhad
- Berjaya Assets Berhad
- Careplus Group Berhad
- Corston-Smith Asset Management Sdn. Bhd.
- CSC Steel Holdings Berhad
- Scientex Packaging (Ayer Keroh) Berhad
- GDEX Berhad
- Global Oriental Berhad
- Glomac Berhad
- Hartalega Holdings Berhad
- Heineken Malaysia Berhad
- Hexza Corporation Berhad
- I-Berhad
- IQ Group Holdings Berhad
- Industrial & Commercial Bank of China (Malaysia) Berhad
- Kim Hin Joo (Malaysia) Berhad
- KUB Malaysia Berhad
- Mah Sing Group Berhad
- Malton Berhad
- MBM Resources Berhad
- MKH Berhad
- Mudajaya Group Berhad
- One Glove Group Berhad
- Permodalan BSN Berhad
- Phillip Capital Management Sdn. Bhd.
- Phillip Capital Sdn. Bhd. (f.k.a. Phillip Futures Sdn. Bhd.)
- Phillip Mutual Berhad
- P.I.E. Industrial Berhad
- Ranhill Utilities Berhad
- RCE Capital Berhad
- Hextar Healthcare Berhad (f.k.a. Rubberex Corporation (M) Berhad)
- Scientex Berhad
- Small Medium Enterprise Development Bank Malaysia Berhad

- SNS Network Technology Bhd
- Southern Acids (M) Berhad
- Spritzer Berhad
- Sunsuria Berhad
- Supercomnet Technologies Berhad
- Taliworks Corporation Berhad
- Uchi Technology Berhad
- Unisem (M) Berhad
- UOB Kay Hian Securities (M) Sdn. Bhd.
- Westports Holdings Berhad
- WTK Holdings Berhad

#### Schedule funds

- Amanah Saham Bank Simpanan Nasional
- Areca Astute Assets Fund
- Areca Dividend Income Fund
- Areca Dynamic Growth Fund
- Areca Dynamic Growth Fund 2.0
- Areca Dynamic Growth Fund 3.0
- Areca EnhancedIncome Fund
- Areca EquityTrust Fund
- Areca IncomeTrust Fund
- Areca MoneyTrust Fund
- Areca Progressive Income Fund
- Areca Progressive Income Fund 2.0
  - Areca Progressive Income 3.0
- Areca Situational Income 2.0 Fund
- Areca Strategic Income Fund
- BSN Dana AL-Jadid
- BSN Dana Dividen Al-Ifrah
- BSN Dana Shariah Money Market
- BSN Dana Wakaf Al-Ikhlas
- Corston-Smith ASEAN Corporate Governance Fund
- Phillip Global Futures Fund
- Phillip Islamic Money Market Fund
- Phillip Master Equity Growth Fund
- Phillip Master Islamic Cash Fund
- Phillip Master Money Market Fund
- Phillip AsiaPac Income Fund
- Phillip Dana Aman
- Phillip Dana Dividen
- Phillip Dana Murni

- Phillip Dividend Fund
- Phillip Focus China Fund
- Phillip Global Disruptive Innovation Fund
- Phillip Global Stars Fund
- Phillip Recovery Fund
- Phillip Pearl Fund
- Phillip Select Balance Fund
- Phillip Wholesome Income Fund
- Phillip Wholesome Islamic Income Fund
- Phillip Value Growth Fund

#### Note:

<sup>1</sup>The statutory auditor of Bank Simpanan Nasional is the Auditor General of Malaysia. Deloitte PLT audits the PIE on behalf and reports the results of the audit to the Auditor General of Malaysia.

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