


A hand is shown interacting with a digital interface that features a grid of colorful, glowing points in shades of blue, purple, and green. The background is dark, making the glowing elements stand out. The hand is positioned in the upper right quadrant, with fingers touching the interface.

2021 Transparency report


Ernst & Young PLT


November 2021


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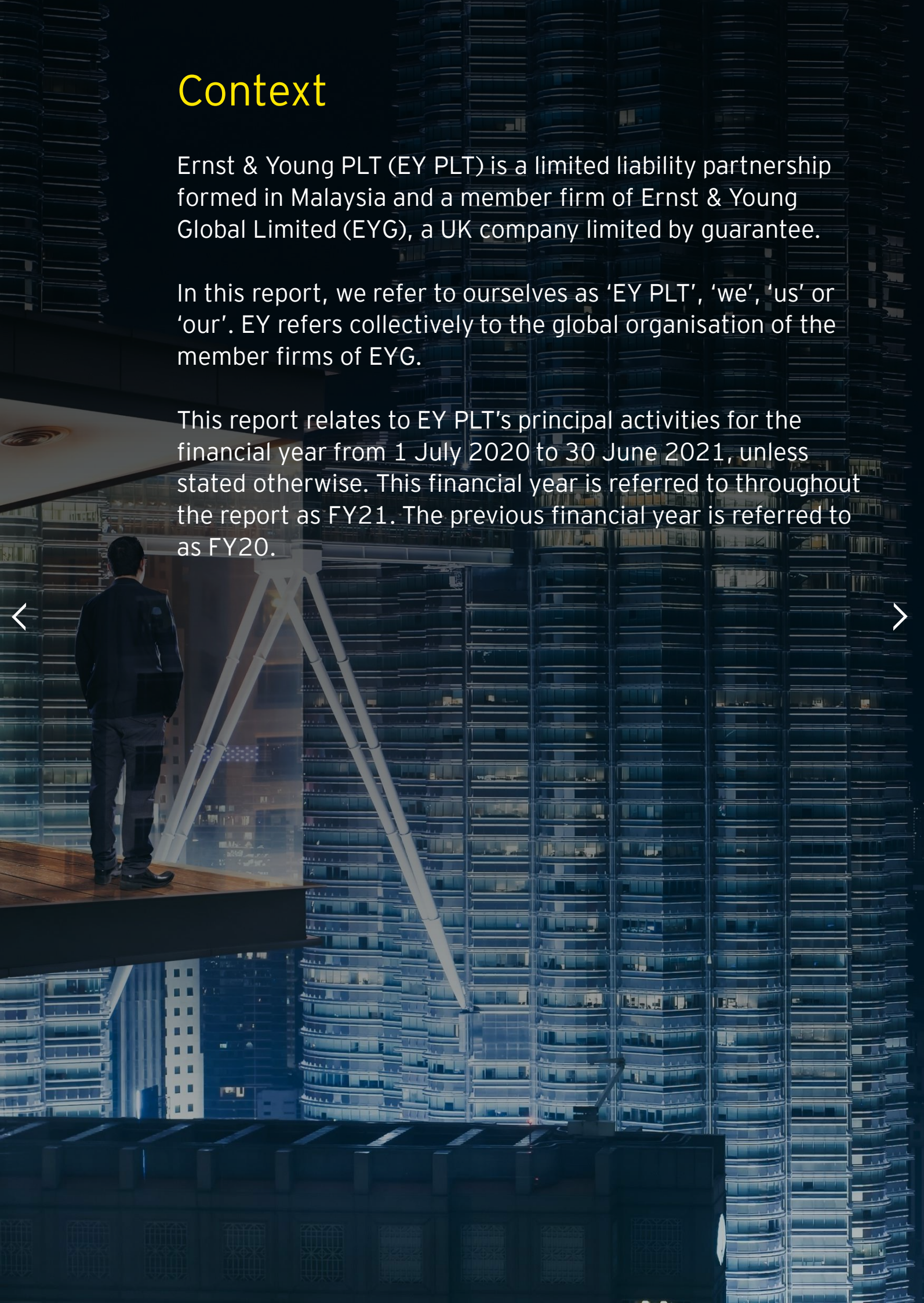
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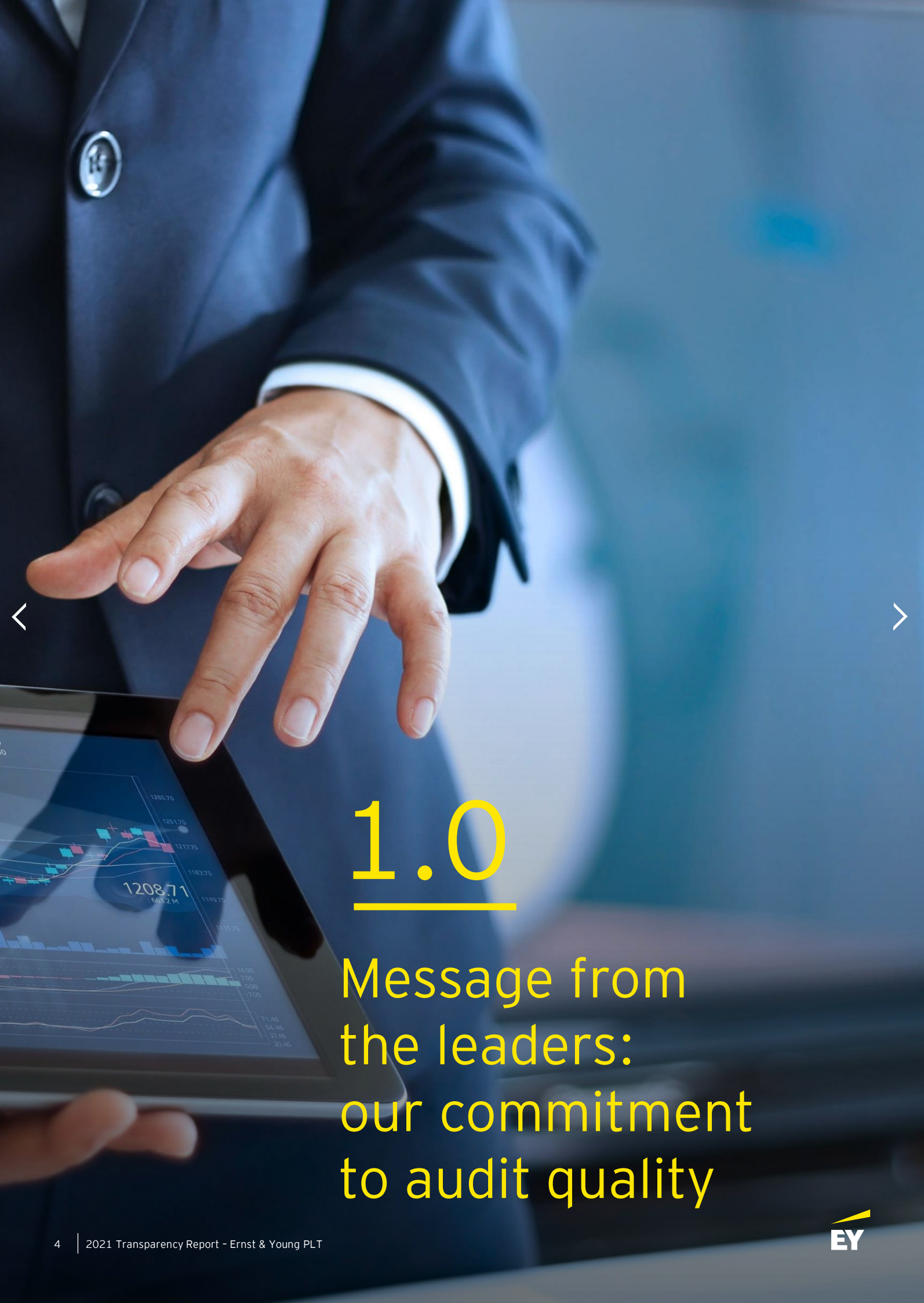
Context

Ernst & Young PLT (EY PLT) is a limited liability partnership formed in Malaysia and a member firm of Ernst & Young Global Limited (EYG), a UK company limited by guarantee.

In this report, we refer to ourselves as 'EY PLT', 'we', 'us' or 'our'. EY refers collectively to the global organisation of the member firms of EYG.

This report relates to EY PLT's principal activities for the financial year from 1 July 2020 to 30 June 2021, unless stated otherwise. This financial year is referred to throughout the report as FY21. The previous financial year is referred to as FY20.





1.0

Message from
the leaders:
our commitment
to audit quality

Message from the leaders: our commitment to audit quality



Rauf

Dato' Abdul Rauf Rashid

Malaysia Managing
Partner,
Ernst & Young PLT



Ong Chee Wai

Ong Chee Wai

Malaysia Assurance
Managing Partner,
Ernst & Young PLT

The current challenges facing the industry are unlike any other, with increasing public scrutiny on audit quality as a result of high profile corporate failures and a global pandemic that is disrupting the way businesses operate and how we live.

This ever challenging and changing environment magnifies the need for us to play our vital role in building trust and confidence in the capital markets. Delivering high-quality audits continue to be a priority and it is at the heart of our commitment to serve the public interest.

Building a better working world amidst uncertainties

EY is a purpose-led organisation. The EY purpose, Building a better working world, is integral to who we are as it sets out why we exist as an organisation and provides a deeper meaning for the daily work of all EY people. In a world that is quickly changing and filled with uncertainties, the EY purpose is now more important than ever. It is our guiding star, our "why", which helps us to navigate through this period of change.

On 1 July 2020, EY launched a new global strategy named NextWave. With NextWave, the activation of the EY purpose has been prioritised by creating a focused initiative dedicated to developing global programmes, to better allow every person at EY to understand, articulate, and feel inspired by how their role contributes to the EY purpose.

For our audit practice, the NextWave strategy sets out a clear activation of the EY purpose - we are building a better working world by serving the public interest through promoting trust and confidence in business and the capital markets.

We believe that we should be transparent with our stakeholders on how we continue to deliver on the EY purpose and value regular dialogues. Our 2021 Transparency Report is one of the ways we use to update our stakeholders on what and how we are doing. This report has been prepared in accordance with the requirements set out by the Securities Commission Malaysia (SC)'s Audit Oversight Board (AOB) and includes additional voluntary information about us and our practices.

Message from the leaders: our commitment to audit quality (cont'd.)

Achieving sustainable audit quality

Standing still is the fastest way of moving backwards in a rapidly changing world. Powerful forces are converging to transform audit businesses and we need to ensure that high-quality audits are delivered: regulations, trust expectations, generational shifts and rapid advances in technology.

We re-invent ourselves continuously for the audit of the future, which will be different to the audit of today through investment in the EY Sustainable Audit Quality (SAQ) programme. The programme focuses on key initiatives across six pillars: tone at the top; exceptional talent; audit technology and digital; simplification and innovation; enablement and quality support; and accountability.

The EY SAQ programme has progressed significantly since its launch in 2015 and has already impacted us by creating the right culture and producing greater consistency in audit execution. The programme has also helped our people to embrace new technology, improve project management, facilitate better communications and execute the EY Digital Audit.

Quality powered through technology

We believe that the future of audit lies partly in the greater use of technology and digital. The investment we have made over the years in EY digital capabilities has proven invaluable as it enabled remote working as we responded to the restrictions from the COVID-19 pandemic.

EY has a suite of digital tools that enable our people to manipulate vast amount of data, allowing teams to sift through entire population of transactions to detect anomalies. In addition, EY automation initiatives have also saved our teams hours of time-consuming tasks.

People are at the heart of audit quality

An engaged and collaborative workforce is paramount to our ability to deliver exceptional audit quality on a consistent basis. We proactively invest in the professional development of our people as well as equip them with up-to-date knowledge and tools to enable delivery at the highest levels.

As we navigate the remote working challenges presented by the COVID-19 pandemic, keeping our people engaged is now more crucial than ever. We are incredibly proud of the way that our people have responded to the pandemic. Their agility, resilience and support for one another really set them apart as we continue to discharge our duties during these unprecedented times.

Message from the leaders: our commitment to audit quality (cont'd.)

Looking forward - International Standard on Quality Management (ISQM) 1 and Environmental, Social and Governance (ESG)

The International Auditing and Assurance Standards Board (IAASB) has recently approved a quality management standard that requires a more proactive and risk-based approach to managing quality, referred to as ISQM 1. Our ISQM 1 implementation is on track and will further enhance the EY purpose of serving the public interest.

The global pandemic and natural disaster events across the globe have provided significant impetus towards the importance of ESG and consequently, non-financial information for corporate reporting and decision making purposes.

At EY, we are investing heavily in ESG-related capabilities globally as well as in Malaysia to support this increasing demand. We are also proud to share that our commitment to ESG also extends towards our EY global achievement of attaining carbon neutrality in 2020 and carbon negative position in 2021. We will continue to focus on reducing absolute emissions in line with the science-based target and are on track to reach net zero in 2025.

Continuing engagement with stakeholders

The need for trust and confidence in corporate reporting in the capital markets has never been greater, and auditors play an important role in this regard.

We encourage all our stakeholders – including clients and their investors, audit committee members and regulators – to continue to engage with us on our strategy as well as any of the matters covered in this report. We welcome and are interested in the opportunity to receive feedback on this report and will take questions about EY PLT. Please do not hesitate to contact us at abdul-rauf.rashid@my.ey.com and chee-wai.ong@my.ey.com



2.0

Executive summary

EY purpose: Building a better working world

EY audits help to build trust and confidence in businesses and the capital markets.

EY ambition

Create long-term value as the world's most trusted, distinctive professional services organisation

EY values

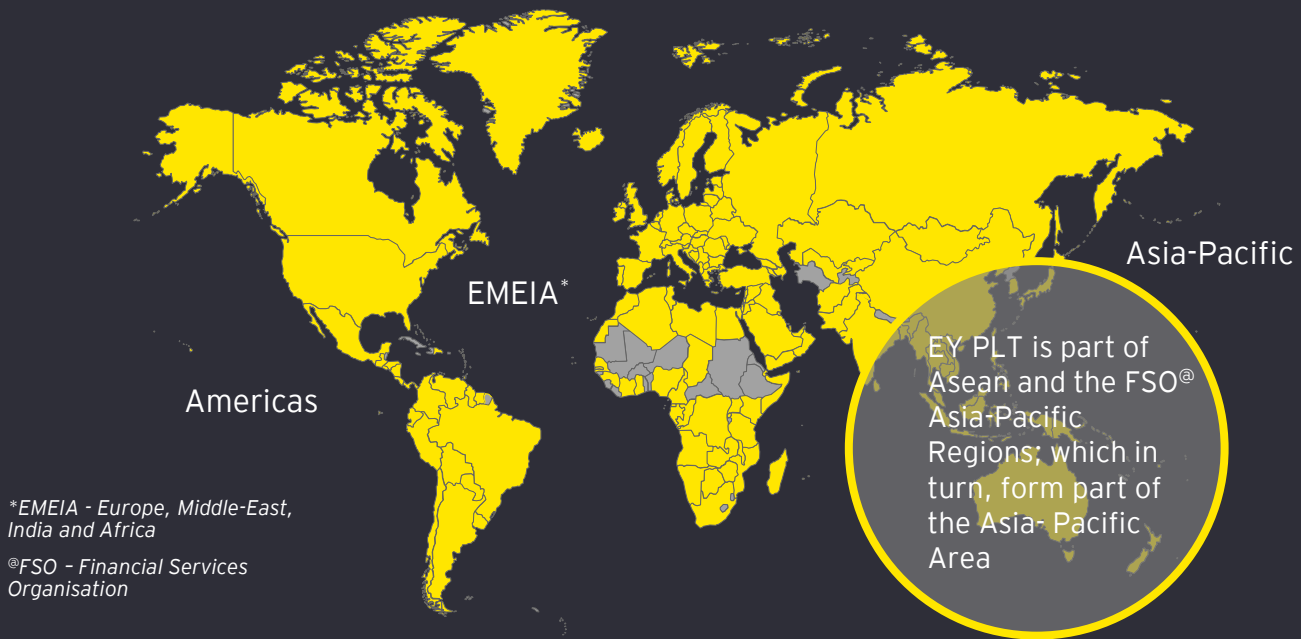
- ▶ People who demonstrate integrity, respect, teaming and inclusiveness
- ▶ People with energy, enthusiasm and the courage to lead
- ▶ People who build relationships based on doing the right thing

< >

EY people, who embrace the EY values, are crucial in fulfilling the EY ambition of generating long-term value.

EY, connected globally

EY is a globally connected, multi-disciplinary professional services organisation driven by the EY purpose of building a better working world. A snapshot of the network of member firms that form EY is shown below:



Over **150** countries

>312,000

EY people around the world

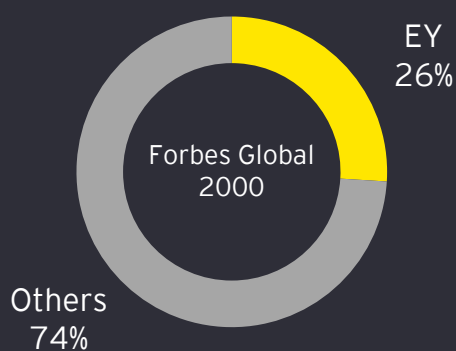


>12,000

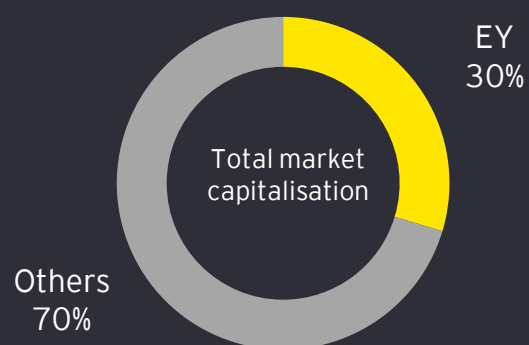
Partners

Forbes Global 2000 - Market share of statutory auditors as at 11 October 2021

By number of companies audited



By market capitalisation of companies audited



EY PLT, owned locally and a member firm of the EYG network

Whilst EY PLT is fully owned by local partners, as a member firm of EYG and in accordance with EYG regulations, EY PLT has committed to pursuing EY's objectives including the provision of high-quality services worldwide.

Accordingly, EY PLT implements the globally developed strategies and plans and complies with the common standards, policies, processes and methodologies including those regarding audit methodology, quality and risk management, talent and technology.

Established in 1909 in Malaysia, EY PLT's operations as at 1 October 2021 are as follows:



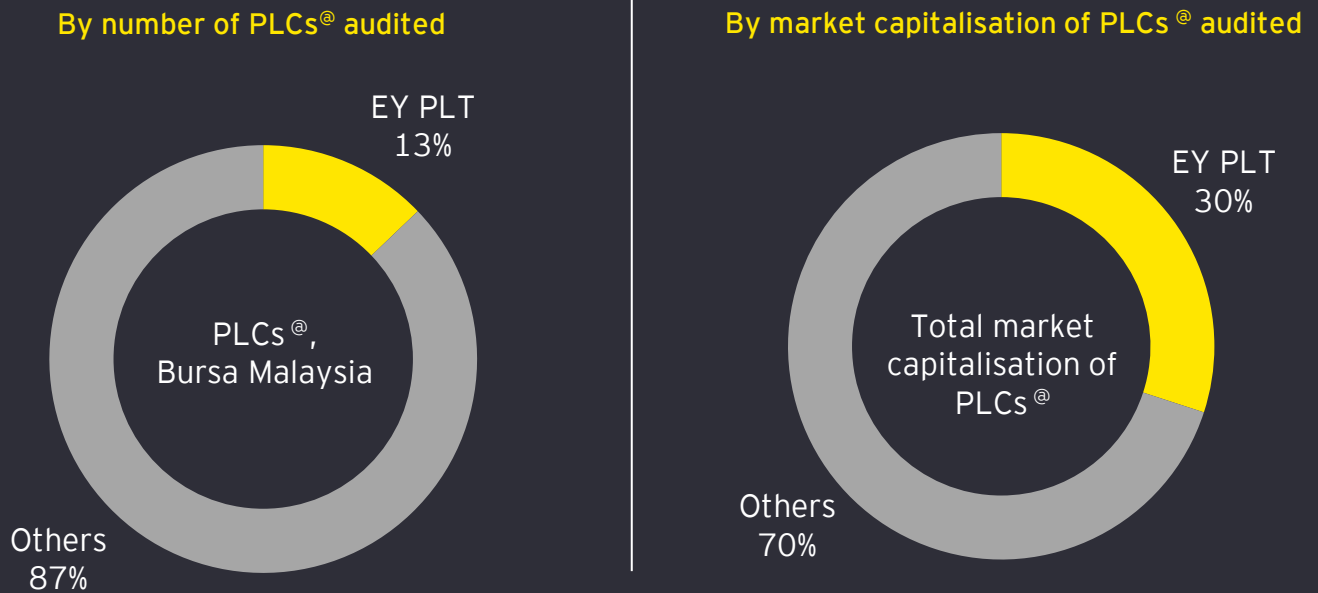
12
offices in
Malaysia

45
Audit partners

approximately
1,600
Audit personnel

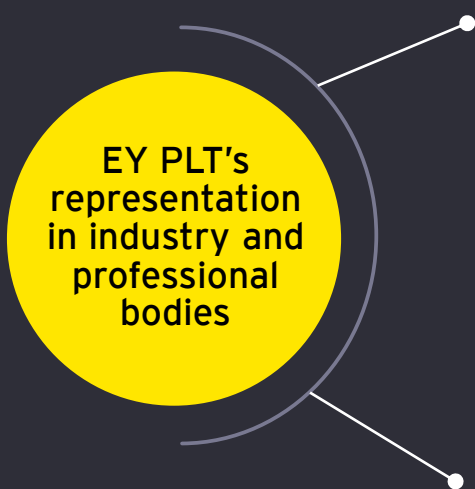
EY PLT, serving the market

Audit market share of statutory auditors as at 30 June 2021



[@]PLCs - Public listed companies

We also contribute to the wider ecosystem through our participation in various industry and professional bodies in Malaysia, as follows:



- ▶ Malaysian Institute of Accountants (MIA)
- ▶ Malaysian Accounting Standards Board (MASB)
- ▶ Malaysian Institute of Certified Public Accountants
- ▶ Malaysian chapters of:
 - ▶ Association of Chartered Certified Accountants
 - ▶ Institute of Chartered Accountants in England and Wales
 - ▶ CPA Australia

Committees of the MIA and MASB:

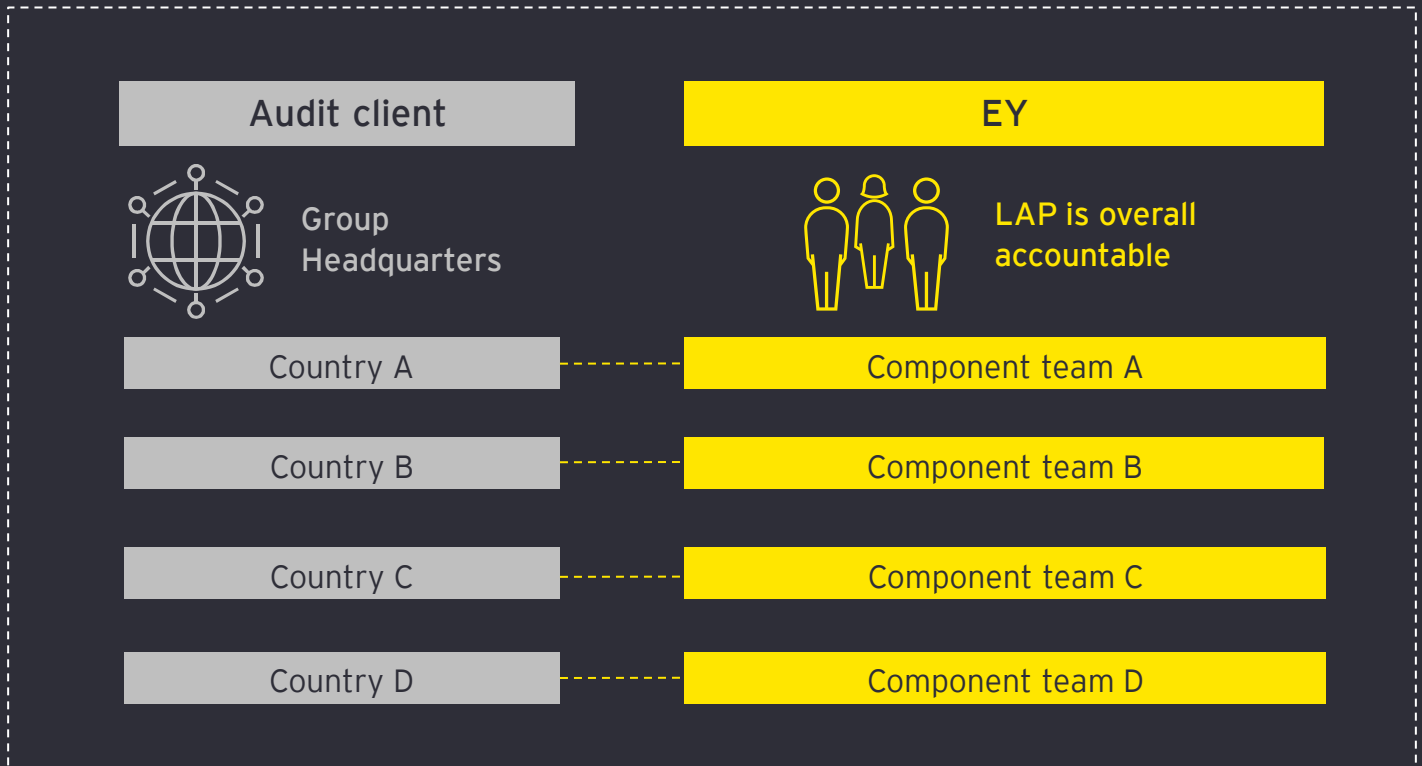
- ▶ Auditing and Assurance Standards Board
- ▶ Capital Market Advisory Committee
- ▶ Ethics Standards Board
- ▶ Interpretations Committee
- ▶ Standing Committee on Islamic Financial Reporting
- ▶ MFRS* Application and Implementation Committee

*MFRS - Malaysian Financial Reporting Standards

EY audit delivery

is globally integrated

EY governance structure empowers the lead audit partner (LAP) to be overall accountable. LAP coordinates EY resources worldwide to deliver a seamless and consistent audit.



and in collaboration with EY specialist teams

The integrated role of specialist teams form an important part of the way in which we assess risks, plan and execute our audit.

- 1 Technology Risk
- 2 Tax
- 3 Strategy and Transactions
- 4 Financial Services Risk Management
- 5 Actuarial Services

EY Sustainable Audit Quality programme

The EY Sustainable Audit Quality (SAQ) programme is underpinned by the six pillars below:



Tone at the top

EY leaders have established a culture based on a commitment to quality, an emphasis on values, a global mindset and the importance of teaming in order to set a clear tone at the top.



Exceptional talent

Providing high-quality audits begins with attracting people with the right blend of skills, and then providing the appropriate training and supporting their career development.



Audit technology and digital

The EY Digital Audit is evolving to meet the challenges of our Transformative Age, in which new technologies are changing business models and creating new risks.



Simplification and innovation

The Digital Global Audit Methodology – a set of tools, processes and enablers that provide the foundation for the EY Digital Audit – leverages the power of data to simplify tasks.



Enablement and quality support

A system of reviews and structures helps to improve working practices, skills and resourcing, and support audit teams in maintaining audit quality.



Accountability

Every individual is accountable for performing quality work and a culture of continuous improvement has been embedded, providing an environment in which auditors can thrive.

EY PLT FY21 audit quality performance

Internal audit quality review results



100%

(FY20: 94%)

of the audit engagements inspected during FY21 were rated as having no material findings.

External quality assurance review results



50%

(FY20: 0%)

of the audit engagements inspected during FY21 have ZERO inspection findings.

< We consider the above in conjunction with other audit quality leading indicators, as follows:

1:34

(FY20: 1:41)

partner to staff ratio

5

(FY20: 5)

average number of
PIEs* per partner

3

(FY20: 3)

average number of
listed PIEs* per partner

337

(FY20: 414)

audit personnel
with professional
qualifications

27

(FY20: 30)

quality control personnel
(supported by 13 Asia-Pacific
quality control partners and
their teams)

24%

(FY20: 22%)

5-year average audit
staff turnover rate

84

(FY20: 91)

average learning hours
completed for audit
partners and staff

*PIEs - Public interest entities



3.0

About us

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EY purpose and EY Global Code of Conduct

EY purpose

Building a better working world

Every audit, tax return, consulting opportunity, every question we ask and every interaction with a client or colleague should make the working world better than it was before.

Therefore, the insights and quality services we deliver help build trust and confidence in the capital markets and in economies around the world. We develop outstanding leaders and teams that create long-term value for all stakeholders.

This leads to sustainable, inclusive growth.

EY ambition

EY ambition is to create long-term value as the world's most trusted distinctive professional services organisation.

On 1 July 2020, EY launched a new strategy, NextWave, to deliver on our ambition, which is outward-facing and ties our success to the success of our stakeholders.

EY purpose and ambition are closely connected: achieving our ambition helps fulfill our purpose.



EY values

- ▶ People who demonstrate integrity, respect, teaming and inclusiveness
- ▶ People with energy, enthusiasm and the courage to lead
- ▶ People who build relationships based on doing the right thing

These values influence the way we work with each other, the way we serve our clients and the way we engage with our communities. They reinforce the EY Global Code of Conduct, which guides the decisions we make and the way we do business.



EY Global Code of Conduct

The EY Global Code of Conduct provides an ethical framework for our behaviour. It draws on our shared values, and builds on our purpose and our ambition.

We promote a culture of integrity among our professionals.

The EY Global Code of Conduct provides a clear set of principles that guide our actions and our business conduct and are to be followed by all EY personnel.

The EY Global Code of Conduct is divided into five categories:

- ▶ Working with one another
- ▶ Working with clients and others
- ▶ Acting with professional integrity
- ▶ Maintaining our objectivity and independence
- ▶ Protecting data, information and intellectual capital

Through our procedures to monitor compliance with the EY Global Code of Conduct and through frequent communications, we strive to create an environment that encourages all personnel to act responsibly, including reporting misconduct without fear of retaliation.

Whistleblowing

The EY Ethics Hotline provides EY people, clients and others outside of the organisation with a means to confidentially report activity that may involve unethical or improper behaviour, and that may be in violation of professional standards or otherwise, inconsistent with the EY shared values or Global Code of Conduct. Globally, the hotline is operated by an external organisation that provides confidential and, if desired, anonymous hotline reporting.

When a report is received by the EY Ethics Hotline, either by phone or internet, it receives prompt attention. Depending on the content of the report, appropriate individuals from Risk Management, Talent, Legal or other functions are involved in addressing the report. The same procedures are followed for matters that are reported outside of the EY Ethics Hotline.



About EY, a global organisation

EY is a global leader in assurance, tax, strategy and transactions, and consulting services. Worldwide, over 312,000 people in member firms in more than 150 countries share a commitment to build a better working world, united by shared values and an unwavering commitment to quality, integrity and professional scepticism. In today's global market, the integrated EY approach is particularly important in the delivery of high-quality multinational audits, which can span nearly every country in the world.

This integrated approach enables EY member firms to develop and draw upon the range and depth of experience required to perform such diverse and complex audits.

Ernst & Young Global Limited (EYG) is a UK company limited by guarantee. EYG coordinates the member firms and promotes cooperation among them. EYG does not provide services, but its objectives include the promotion of exceptional high-quality client

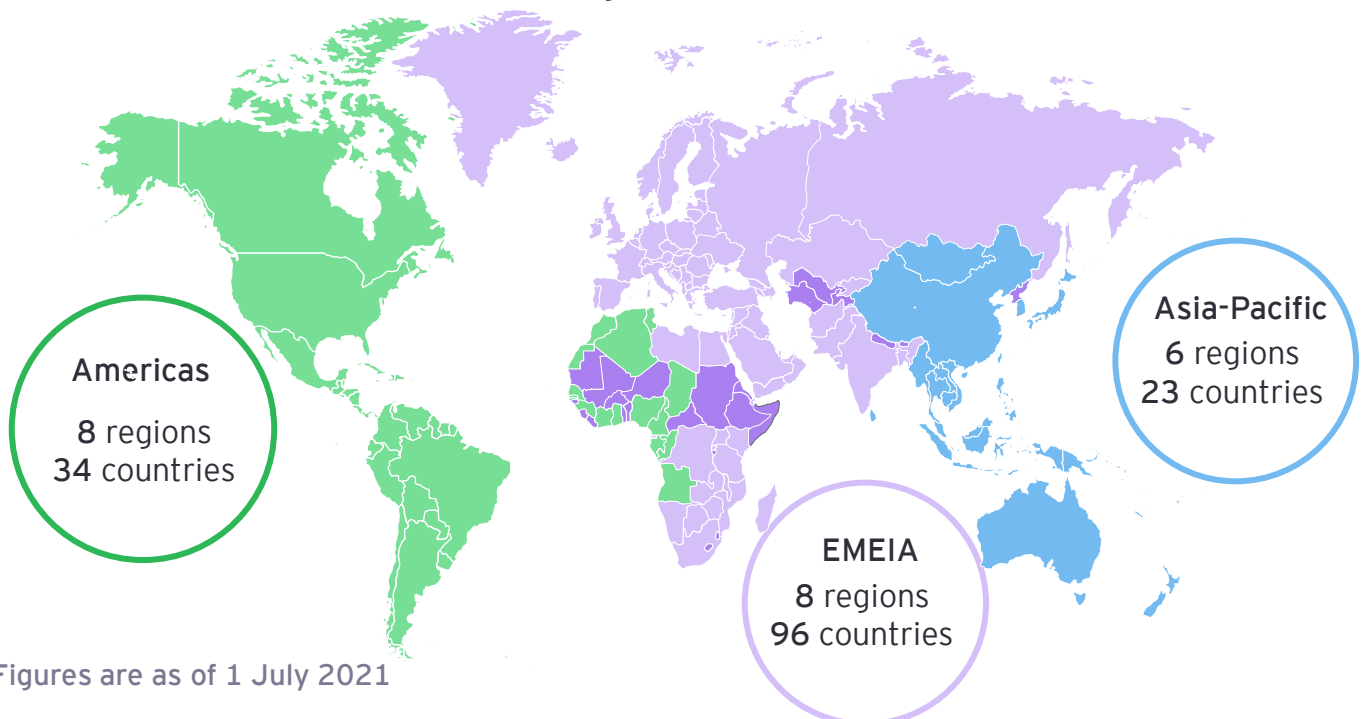
service by the member firms worldwide. Each member firm is a separate legal entity. Each member firm's obligations and responsibilities as a member of EYG are governed by the regulations of EYG and various other agreements.

The structure and principal bodies of the global organisation, described below, reflect the principle that EY, as a global organisation, has a common shared strategy.

At the same time, the network operates on a regional level within the areas. This operating model allows for greater stakeholder focus in the regions, permitting member firms to build stronger relationships with clients and others in each country, and be more responsive to local needs.

EY PLT is part of Asean and the FSO Asia-Pacific regions; which in turn, form part of the Asia-Pacific area.

EY areas, regions and countries*



*Figures are as of 1 July 2021

Global Governance Council

The Global Governance Council (GGC) is a key governance body of EYG. It comprises one or more representatives from each region, other member firm partners as at-large representatives and independent non-executives (INEs). The Regional representatives, who otherwise do not hold senior management roles, are elected by their Regional Partner Forum (RPF) for a three-year term, with the provision for one successive reappointment. The GGC advises EYG on policies, strategies, and the public interest aspects of its decision-making. The GGC approves, in some instances, upon the recommendation of the Global Executive (GE), certain matters that could affect EY.



Independent Non-Executives

Up to six Independent Non-Executives (INEs) are appointed from outside EY. The INEs are senior leaders from both the public and private sectors and reflect diverse geographic and professional backgrounds. They bring to the global organisation, and the GGC, significant benefit of their varied perspectives and depth of knowledge. The INEs also form a majority of the Public Interest Sub-Committee (PIC) of the GGC. The role of the PIC includes public interest aspects of decision-making and stakeholder dialogue, issues raised under whistleblowing policies and procedures, as well as engagement in quality and risk management discussions. The INEs are nominated by a dedicated committee, approved by the GE and ratified by the GGC.

Global Executive

The GE brings together EY leadership functions, services and geographies. As of 1 July 2021, it is chaired by the Chairman and CEO of EYG, and includes its Global Managing Partners of Client Service and Business Enablement; the Area Managing Partners; the global functional leadership for Talent; the leaders of the global service lines – Assurance, Consulting, Strategy and Transactions, and Tax; and one EYG member firm partner on rotation.

The GE also includes the Global Vice Chair of Markets, the Global Vice Chair of Transformation, the Chief Client Technology Officer, the Chair of the Global Accounts Committee, the Chair of the Emerging Markets Committee, as well as a representative from the Emerging Markets practices.

The GE and the GGC approve nominations for the Chairman and CEO of EYG and ratify appointments of the Global Managing Partners. The GE also approves the appointments of Global Vice Chairs. The GGC ratifies the appointments of any Global Vice Chair who serves as a member of the GE.

The GE's responsibilities include the promotion of global objectives and the development, approval and, where relevant, implementation of:

- ▶ Global strategies and plans
- ▶ Common standards, methodologies and policies to be promoted within member firms
- ▶ People initiatives, including criteria and processes for admission, evaluation, development, and the reward and retirement of partners
- ▶ Quality improvement and protection programmes
- ▶ Proposals regarding regulatory matters and public policy
- ▶ Policies and guidance relating to the member firms' service of international clients, business development, and marketing and branding
- ▶ EY development funds and investment priorities
- ▶ EY annual financial reports and budgets
- ▶ GGC recommendations on certain matters

The GE also has the power to mediate and adjudicate disputes between member firms.



GE committees

Established by the GE, and bringing together representatives from across the organisation, the GE committees are responsible for making recommendations to the GE. In addition to the Global Audit Committee, examples of other committees include Assurance, Consulting, Tax, Strategy and Transactions, Global Markets and Investments, Global Accounts, Emerging Markets, Talent and Risk Management.

Global Practice Group

The Global Practice Group brings together the members of the GE, GE committees, regional leaders and sector leaders. It seeks to promote a common understanding of EY strategic objectives and helps to drive consistency of execution across the organisation.

EYG member firms

Under the regulations of the EYG, member firms commit themselves to pursue EY objectives, such as the provision of high-quality services worldwide. To that end, the member firms undertake the implementation of global strategies and plans, and work to maintain the prescribed scope of service capability. They are required to comply with common standards, methodologies and policies, including those regarding audit methodology, quality and risk management, independence, knowledge sharing, talent and technology.

Above all, EYG member firms commit to conducting their professional practices in accordance with applicable professional and ethical standards, and all applicable requirements of law. This commitment to integrity and doing the right thing is underpinned by the EY Global Code of Conduct and EY values (see pages 17 and 18).

Besides adopting the regulations of the EYG, member firms enter into several other agreements covering aspects of their membership in the EY organisation, such as the right and obligation to use the name of the EY organisation, and knowledge-sharing.

Member firms are subject to reviews to evaluate adherence to EYG requirements and policies governing issues such as independence, quality and risk management, audit methodology and HR. Member firms unable to meet quality commitments and other EYG membership requirements may be subject to termination from the EY organisation.

Creating long-term value for society



While capitalism has created enormous global prosperity, it has also left too many people behind. Extreme poverty is already on the rise as a result of the COVID-19 pandemic, and climate change is threatening to deepen inequality still further as vulnerable communities are hit first and worst by its effects. EY believes an economic system that is fairer, more trustworthy and capable of addressing humanity's most profound challenges is urgently needed.

From advising governments on how to build more sustainable and inclusive economies, to encouraging businesses to focus and report on their creation of long-term value for all stakeholders, EY services already play a vital role in this. However, more can and must be done.

As a proud participant in the United Nations Global Compact (UNGC) since 2009, EY is committed to integrating the UNGC Ten Principles and the UN Sustainable Development Goals (SDGs) into the EY strategy, culture and operations.

Among other things, this commitment is reflected in:

1

Corporate
responsibility
governance
structures

2

The EY social
impact ambition

3

The EY
carbon
ambition

1

Corporate responsibility governance structures

Corporate responsibility across EY is coordinated by the EY Corporate Responsibility Governance Council (CRGC). This body includes members of the EY Global Executive and provides senior leadership representation from across EY services lines, functions and geographic areas.

2

The EY social impact ambition

The global corporate responsibility programme, EY Ripples, brings together the global EY network with the goal of positively impacting one billion lives by 2030. To date, EY Ripples initiatives have cumulatively benefited more than 45 million people, aided by:

- ▶ A rigorous focus on three areas (supporting the next generation workforce, working with impact entrepreneurs, and accelerating environmental sustainability) where the distinctive skills, knowledge and experience of EY people can make the biggest difference.
- ▶ A collaboration with other like-minded organisations to build ecosystems capable of creating change at scale. For example, the TRANSFORM initiative with Unilever and the UK Foreign, Commonwealth and Development Office, which aims to change the lives of 150 million people across sub-Saharan Africa and South Asia by 2030, by tackling inequality.

3

The EY carbon ambition

EY is carbon negative as of October 2021 and aims to be net zero in 2025. EY endeavours to achieve this by significantly reducing absolute carbon emissions, and then removing or offsetting more than the remaining amount every year. To reach net zero by FY25, EY member firms plan to reduce absolute emissions by 40% across Scopes 1, 2 and 3 (versus an FY19 baseline), consistent with a 1.5°C science-based target approved by the Science Based Targets initiative (SBTi). Specific actions include:

- ▶ Reducing business travel emissions, with a target to achieve a 35% reduction by FY25 against the FY19 baseline
- ▶ Reducing overall office electricity usage, and procuring 100% renewable energy for remaining needs, earning RE100 membership by FY25
- ▶ Structuring electricity Power Purchase Agreements (PPAs) to introduce more renewable electricity than EY consumes into national grids
- ▶ Using nature-based solutions and carbon-reduction technologies to remove from the atmosphere or offset more carbon than emitted, every year
- ▶ Providing EY teams with tools to calculate, then work to reduce, the amount of carbon emitted in carrying out client work
- ▶ Requiring 75% of EY suppliers, by spend, to set science-based targets by no later than FY25
- ▶ Investing in EY services and solutions that help clients to create value from decarbonising their businesses and provide solutions to other sustainability challenges and opportunities

About EY PLT

EY PLT is a limited liability partnership formed in Malaysia and a member firm of EYG. EY PLT is part of Asean and the FSO Asia-Pacific regions, which in turn, form part of the Asia-Pacific area.

Ownership

EY PLT is owned by our partners in Malaysia ("members").

None of our EY PLT partners hold more than 5% equity share in the partnership. None of our partners have any family relationship with partners in a leadership role or who hold a substantial equity in the partnership, or with other partners of the audit firm.

Affiliated entities

Affiliated entities of EY PLT in Malaysia are as follows:

- ▶ Hanafiah Raslan & Mohamad PLT
- ▶ Ernst & Young Tax Consultants Sdn. Bhd.
- ▶ Ernst & Young Consulting Sdn. Bhd.
- ▶ Agensi Pekerjaan EY Sdn. Bhd.
- ▶ Ernst & Young Trust Ltd
- ▶ EY Technology Solutions Sdn. Bhd.
- ▶ EY Identity Asia Sdn. Bhd.
- ▶ EY Identity Sdn. Bhd.
- ▶ EY Digital CX Sdn. Bhd.
- ▶ EY Insolvency Services PLT
(incorporated on 5 October 2021)
- ▶ EY Associates PLT
- ▶ Ernst & Young Offshore Services Sdn. Bhd.
- ▶ Ernst & Young Transaction Advisory Services Sdn. Bhd.

About EY PLT (cont'd)



As at 1 October 2021, EY PLT operates across:



12
offices
in Malaysia

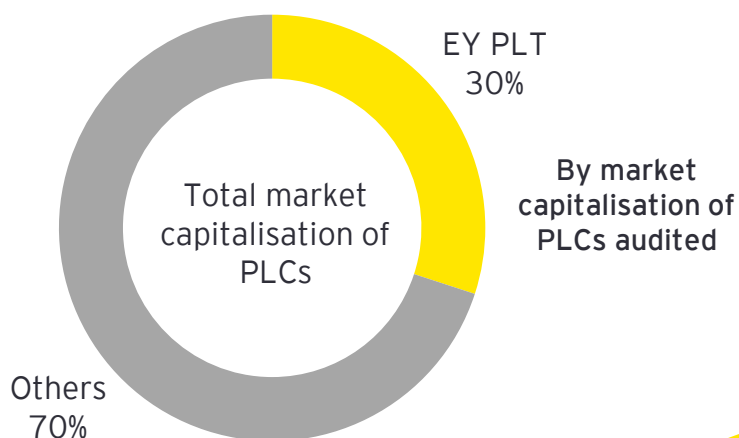
45
Audit partners

approximately
1,600
Audit personnel

Audit market share of statutory auditors
as at 30 June 2021

As at 30 June 2021,
EY PLT audits

114 PLCs



Organisation Structure

Organisational structure of EY PLT:

Dato' Abdul Rauf Rashid
Malaysia Managing Partner

helps EY PLT's and its affiliated entities' overall business strategies and ensures the execution of long-term value for our clients, regulators, employees and other stakeholders. Dato' Rauf is also the EY Asean Assurance Managing Partner.

ASSURANCE BUSINESS

Ong Chee Wai
Malaysia Assurance Managing Partner

leads EY PLT's business growth, strategic direction and execution across industry sectors and geographical locations.

Our specialised industry sectors include, but are not limited to the following:

Advanced manufacturing & mobility	Oil & gas
Consumer	Power & utilities
Financial services - Banking & capital Markets - Insurance - Wealth & asset management	Private equity
Government & public sector	Real estate, hospitality & construction
Health sciences & wellness	Technology, media & entertainment, telecommunications
Mining & metals	

ASSURANCE QUALITY CONTROL FUNCTION

Professional Practice

Teoh Soo Hock Professional Practice Director (PPD)	Lead and oversee accounting and auditing consultations, the development of local guidance and the practice of monitoring activities.
Dato' Megat Shah Deputy PPD	

Quality Enablement

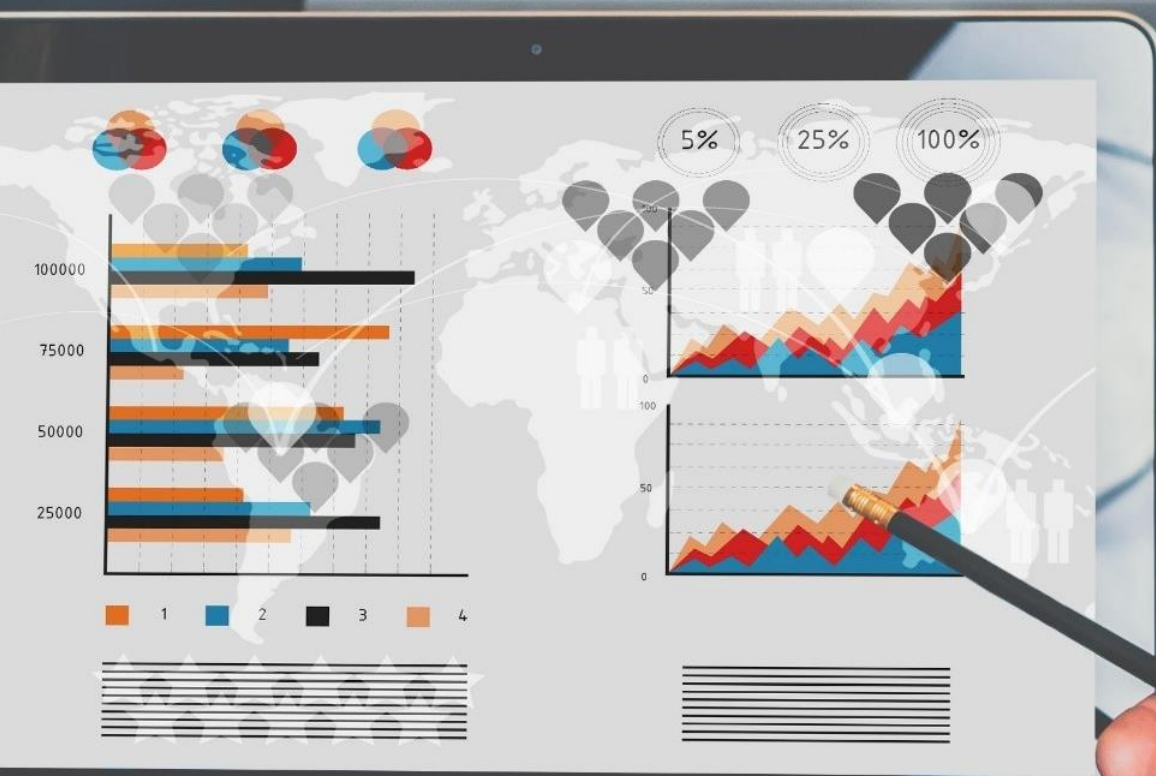
Yeah Seok Luan Quality Enablement Leader (QEL)	Leads improvements in audit quality by providing support through various quality initiatives.
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CORE BUSINESS SERVICES

Represents various support services used by EY PLT and its affiliated entities.

Each of these services have leaders located in Malaysia, or is centrally coordinated and led at the Asean or Asia-Pacific levels.

Talent	Brand, Marketing and Communications	Finance	Independence	Legal
Learning & Development	Technology	Admin	Risk Management	Internal Audit



4.0

Commitment to sustainable audit quality

Quality in the EY service lines

NextWave is the EY global strategy and ambition to deliver long-term value to clients, people and society. It has put EY in a strong position to adapt and innovate, while the EY purpose of building a better working world continues to inspire EY people not only to serve clients, but also to use EY knowledge, skills and experiences to support the communities in which we live and work.

The insights and quality services we deliver help build trust and confidence in the capital markets and in economies around the world.



In response to disruptions in the environment, EY member firms adapted to maintain the delivery of high-quality audits. EY provided its audit professionals with additional training and enablement to help detect fraud. In addition, through a data-first approach enabled by analytics and digital tools, teams were able to deliver high-quality audits with independence, integrity, objectivity and professional scepticism.

EY member firms continue to develop the audit of the future, including ever more sophisticated data analytics, efficiently delivering greater insight and assurance in support of the high-quality audits that are valued by the companies that EY audits and the capital markets.

Our people are our greatest asset in delivering quality and value, and building trust. We are elevating their experiences, using data and technology, so they can spend more time addressing risks and exercising professional judgment. By applying cutting-edge technologies and sophisticated data analytics, all while serving the public interest, our people are able to connect and contribute to the overall EY purpose of building a better working world.

EYG member firms and their service lines are accountable for delivering high-quality engagements. EY member firms' service lines manage the overall process for quality reviews of completed engagements and input for the quality of in-process engagements, which helps achieve compliance with professional standards and EY policies.

The Global Vice Chair of Assurance coordinates the member firms' compliance with EY policies and procedures for services provided by Assurance.

Effectiveness of the quality control system

EY has designed and implemented a broad set of global audit quality control policies and practices. These policies and practices meet the requirements of the International Standards on Quality Control issued by the International Auditing and Assurance Standards Board (IAASB). In addition to these global policies and practices, EY PLT has supplemented them as necessary to comply with local laws and professional guidelines, and address specific business needs.

We also execute the EY Audit Quality Review (AQR) programme to evaluate whether our system of audit quality control has operated effectively to provide reasonable assurance that EY PLT and our people comply with applicable professional standards, internal policies and regulatory requirements.

The results of the AQR programme and external inspections are evaluated and communicated within EY PLT to provide the basis for continual improvement in audit quality, consistent with the highest standards in the profession.

The Global Executive has responsibility for the coordination of quality improvement implementation. As such, it reviews the results of the internal AQR programme and external audit firm regulatory reviews, as well as any key actions designed to address areas for improvement.

The recent results of such monitoring, together with feedback from independent audit regulators, provide EY PLT with a basis to conclude that our internal control systems are designed appropriately and are operating effectively.



Update to the control framework - ISQM 1

The foundation created by our existing quality control system puts EY in a good position to introduce the new ISQM 1

In September 2020, the IAASB approved a quality management standard that includes significant changes to the way professional accountancy firms manage quality. ISQM 1 will replace the current International Standard on Quality Control 1 (ISQC 1) and requires a more proactive and risk-based approach to managing quality at the firm level.

ISQM 1 requires firms to design, implement, monitor and evaluate the overall system of quality management (SQM) that provides reasonable assurance that a firm will meet prescribed quality objectives.

The standard includes more robust requirements for the governance, leadership and culture of professional accountancy firms, and introduces a risk assessment process for firms to assess risks to achieving quality objectives and design responses that address those risks. It also requires more extensive monitoring of the SQM to identify deficiencies that require corrective actions and provide the basis for evaluating the overall effectiveness of the SQM.

The EY approach is to design an SQM that is consistently applied across the entire network of member firms to promote consistent engagement quality and operating effectiveness. This is especially important in a global economy where many audits are transnational and involve the use of other EY member firms.

The standard requires firms to design and implement a system of quality management by December 2022. EY PLT has commenced work to implement the new standard alongside the EY System of Quality Management transformation programme. Our initial steps have included:

- ▶ Identifying the functions and service lines that provide support for, or perform engagements within the scope of ISQM 1
- ▶ Establishing a programme governance structure to manage the design and implementation of a system of quality management that complies with ISQM 1 with representatives from various functions and service lines
- ▶ Identifying and assessing quality risks, and documenting responses in accordance with the network-developed approach
- ▶ Identifying and understanding network resources and their implementation or use by the country in its SQM
- ▶ Challenging and identifying enhancements to the existing quality control system to achieve compliance with the new standard

We believe that implementing the requirements within ISQM will be useful to improving quality at the firm and engagement level, because an effective system of quality management is foundational to achieving consistent engagement quality.



4.1

EY Sustainable Audit Quality Programme

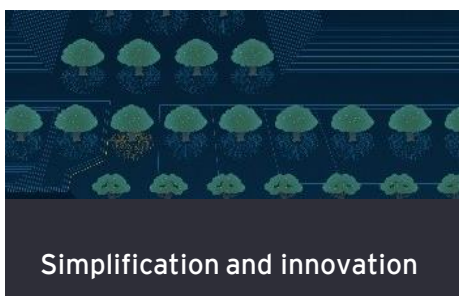
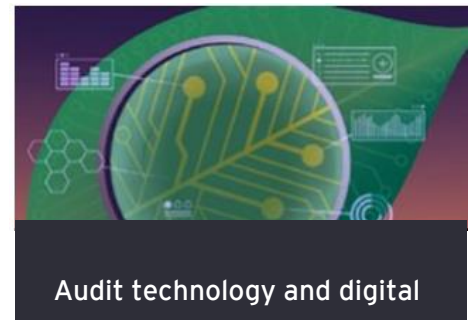
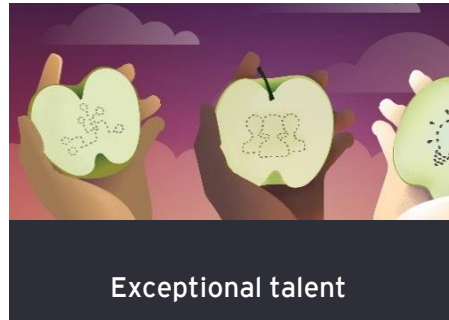
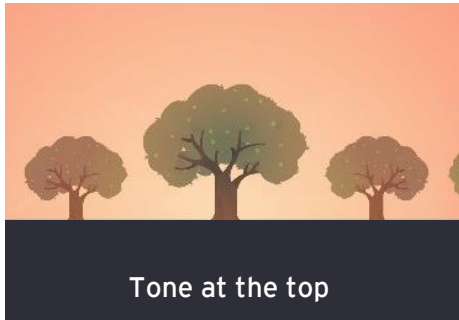
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EY Sustainable Audit Quality (SAQ) programme

Quality is the foundation of our work and central to EY member firms' responsibility to provide confidence to the capital markets. This is reflected in the SAQ programme, which continues to be the highest priority for EY member firms' Assurance practices.

SAQ establishes a strong governance structure that enables each member firm to provide high-quality audits. It is implemented locally, and coordinated and overseen globally. The word "sustainable" in SAQ is used to demonstrate that this is not a one-off, short-term initiative, but an ongoing process of improvement.

There are six SAQ pillars as shown below. Each pillar is explained in more detail on pages 34 to 53.



These pillars are supported by a foundation of serving the public interest.

Significant progress has been made through SAQ. EY member firms' internal and external inspection findings globally are improving, and there is greater consistency in execution. The trend in the results also reflects the involvement of the QEL network and a focus on culture and behaviors.

EY has deployed leading technological tools that enhance the quality and value of EY audits, including the EY Canvas online audit platform, the EY Helix analytics platform and the EY Atlas research platform.

EY Canvas facilitates the use of the "Milestones" project management functionality, which helps audit teams stay on pace with their audit execution and drive executive involvement. The EY Canvas Client Portal, which is a component of EY Canvas, magnifies its importance in providing a secure and user-friendly platform to transmit data between the engagement teams and the companies audited, while effectively monitoring the pacing of the audit. This suite of tools played a key role in helping EY navigate this past year: having the right technology and tools in place for EY audit teams to work together effectively in a remote environment continues to be a key success factor and differentiator.

Additionally, EY Helix and the entire suite of data analytic tools represent key ways to address the risk of fraud in audit execution. Increasing the required use of these tools provides a more robust response to audit risks associated with companies facing economic challenges, especially in light of the pandemic. Broader adoption of these data analytic tools is occurring this year.

EY Atlas is a cloud-based platform for accessing and searching accounting and auditing content, including external standards, EY interpretations and thought leadership.

Current SAQ initiatives are focused on supporting EY teams in understanding the business of the companies audited. By leveraging data and technology and executing enhanced engagement risk assessment, EY is continuing to drive quality audit execution. Additionally, a network of coaches is actively supporting the engagement teams to stay on track with respect to the pace of their audits, driving timely executive involvement and providing positive direction and enablement when necessary.

Audit quality is something that every team member must understand and be committed to implementing locally. SAQ is essential to all our goals and ambitions, and each regional and area leader has a role in achieving these goals.



The SAQ infrastructure demonstrates that audit quality is the single most important factor in our decision-making and the key measure on which our professional reputation stands.

Tone at the top

EY PLT's leadership is responsible for setting the right tone at the top and demonstrating EY commitment to building a better working world through behaviour and actions. While the tone at the top is vital, EY people also understand that quality and professional responsibility start with them and that within their teams and communities, they are leaders too. EY shared values, which inspire EY people and guide them to do the right thing, and the EY commitment to quality are embedded in who we are and in everything we do.

The EY approach to business ethics and integrity is contained in the EY Global Code of Conduct and other policies and is embedded in the EY culture of consultation, training programmes and internal communications. Senior leadership regularly reinforce the importance of performing quality work, complying with professional standards, adhering to EY policies and leading by example. In addition, EY member firms assess the quality of professional services provided as a key metric in evaluating and rewarding EY professionals.

Global Audit Quality Committee

The EY Global Audit Quality Committee (GAQC) is an important element of the culture of continuous improvement. It comprises senior leaders from across the EY organisation with extensive, diverse and highly relevant experience. The GAQC advises the EY Assurance leadership on the many aspects of the organisation's business, operations, culture, talent strategy, governance and risk management that affect audit quality.

The committee develops innovative ideas and approaches to delivering high-quality audits and is a forum for sharing the best practices of EY member firms. The committee also helps develop audit quality indicators (AQIs) and other forms of quality monitoring that feed into the continuous improvement cycle.



The EY culture strongly supports collaboration and places special emphasis on the importance of consultation in dealing with complex or subjective accounting, auditing, reporting, regulatory and independence matters. We believe it is important to determine that engagement teams and clients correctly follow consultation advice, and we emphasise this when necessary.

The consistent stance of EY PLT has been that no client is more important than our professional reputation – the reputation of EY PLT and the reputation of each of our professionals.

EY PLT's Audit Quality Board

The Audit Quality Board ("AQB") is the GAQC's equivalent in EY PLT. The AQB is chaired by the Malaysia Managing Partner and its key members include the Professional Practice Director (PPD), Deputy PPD, Quality Enablement Leader, and the Malaysia Assurance Managing Partner.

AQB is the oversight body on all matters relating to audit quality and aims to meet on a quarterly basis, or as and when required.

Exceptional talent

Investing in people is fundamental to delivering high-quality work. Delivering high-quality audits relies on a combination of technical know-how, sound judgment, efficient working practices, effective teamwork and a continuous dedication to improvement.

This is supported by a talent development system that puts people at the heart of everything: their learning, professional development, career progression and wellbeing.

Professional development

The continuous development of our people’s skills and knowledge is critical to achieving our purpose of enhancing confidence in the capital markets.

Providing opportunities for the right experiences, learning and coaching helps our people grow and achieve their potential at a variable pace of progression. The day-to-day experiences gained are assigned locally in a systematic way, while the EY audit learning core curriculum is globally consistent. This is supported throughout by on-the-job coaching from more experienced professionals that helps to transform knowledge and experience into practice.

Learning is delivered through the award-winning Audit Academy, which combines “on-demand” e-learning modules with interactive physical or virtual classroom-based simulations and case studies, plus relevant reinforcement and application support.

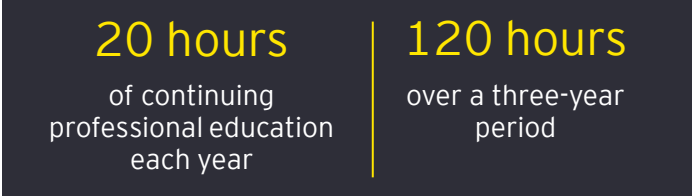


This is supplemented by learning programmes that are developed in response to changes in accounting and reporting standards, independence and professional standards, new technology and emerging issues.

Where an EYG member firm audits and reviews International Financial Reporting Standards (IFRS) financial statements, relevant team members undertake learning to become IFRS-accredited.

At EY PLT, we have established the Assurance Advanced Academy (AAA) which is a center of excellence for technical learning, run by client-serving professionals with the objective to ensure that our professionals learn the right thing (content) at the right time (timing) for the right reasons (purpose) and that they retain what they learn (retention) for application.

EY PLT requires audit professionals to obtain at least



must cover technical subjects related to accounting and auditing.



Knowledge and internal communications

In addition to professional development and performance management, we understand the importance of providing client engagement teams with up-to-date information to help them perform their professional responsibilities. There is significant EY investment in knowledge and communication networks to enable the rapid dissemination of information to help people collaborate and share best practices. This has been of increasing importance to address emerging risks arising as a result of the pandemic. Some EY resources and tools include:

- ▶ EY Atlas, which includes local and international accounting and auditing standards, as well as interpretive guidance
- ▶ Publications such as International GAAP, IFRS developments and illustrative financial statements
- ▶ Global Accounting and Auditing News – a weekly update covering assurance and independence policies, developments from standard-setters and regulators, as well as internal commentary thereon
- ▶ Practice alerts and webcasts covering a range of global and country-specific matters designed for continuous improvement in the member firms' Assurance practices

Performance management

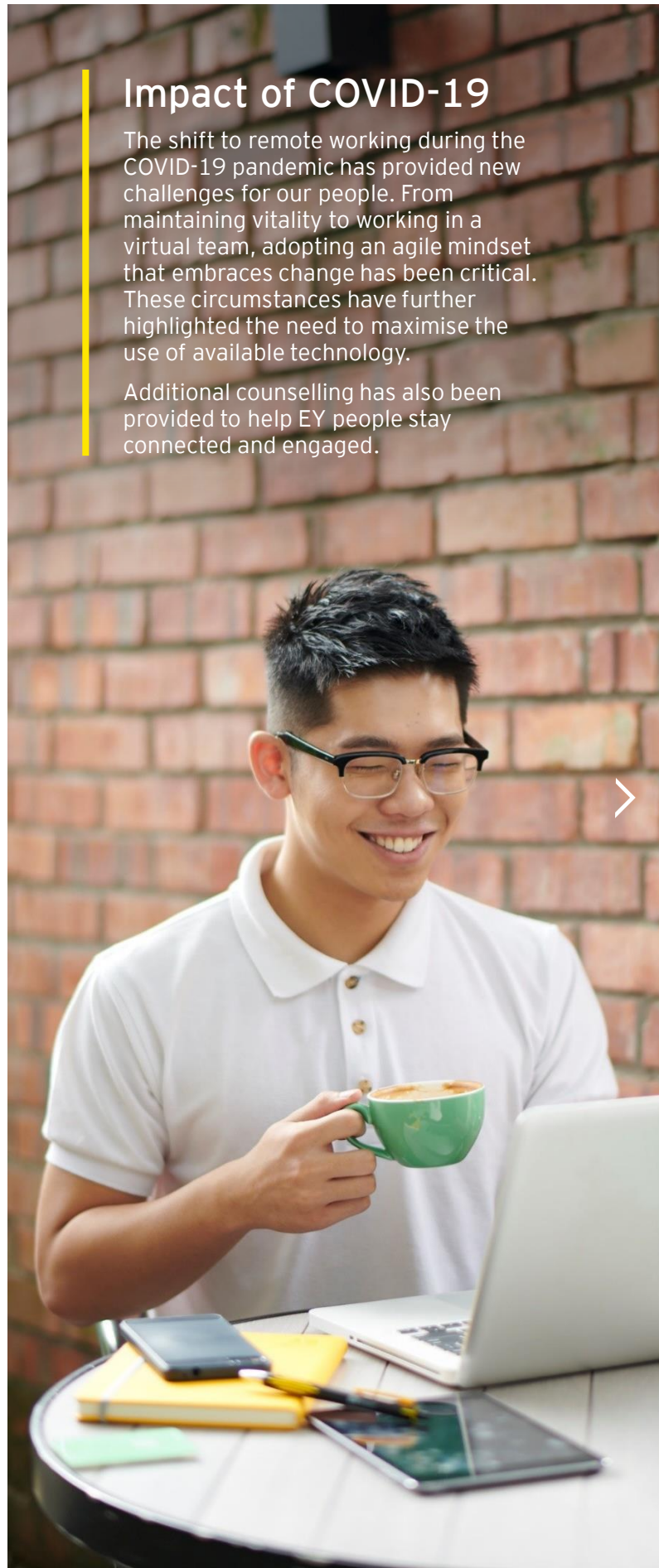
LEAD is a framework that connects EY people's career, development and performance. Through ongoing feedback, development, counselor excellence and career conversations, LEAD aligns individuals with the NextWave strategy and enables a focus on the future. It supports the growth and development of EY people at all stages of their careers. An individual's dashboard provides a snapshot of performance against the Transformative Leadership dimensions, including quality, risk management and technical excellence, and assesses performance against peers. Feedback received during an annual cycle is aggregated and used as an input to compensation and reward programmes.

Regular discussions with a counselor, on topics such as diverse career journeys, applying emerging technology, experiencing new teams and learning, help identify opportunities for further development and to build future-focused skills.

Impact of COVID-19

The shift to remote working during the COVID-19 pandemic has provided new challenges for our people. From maintaining vitality to working in a virtual team, adopting an agile mindset that embraces change has been critical. These circumstances have further highlighted the need to maximise the use of available technology.

Additional counselling has also been provided to help EY people stay connected and engaged.





Diversity and inclusiveness

EY has a long-standing commitment to diversity and inclusiveness (D&I). This commitment to building high-performing, diverse and inclusive teams is especially important in audit, where diverse perspectives drive professional scepticism and critical thinking. Greater diversity and inclusive environments drive better decision-making, stimulate innovation and increase organisational agility.

EY has been on a D&I journey for decades, and while substantial progress has been made, under the global NextWave strategy and ambition EY has committed to increasing D&I progress throughout the organisation. The Global Executive has made a visible commitment to EY people and to the market to accelerate D&I at EY through signing the Global Executive Diversity and Inclusion Statement. Not only does this reinforce that D&I is a key business lever, it ensures that EY member firms hold themselves accountable for progress, starting with the tone at the top.

There has been a particular focus on promoting gender diversity over recent years. In 2021, 36.8% of new audit partners, globally, were women. A strong pipeline of female leadership has been built, supported by 52.4% of all audit hires across the globe in 2020 being female.

Inclusive organisations maximise the power of all differences. Employees need to feel they are working for an organisation that not only values them as individuals, but also sees their differences as strengths and values their contributions. Fostering this sense of belonging is critical to helping the EY organisation attract the most talented individuals, and helping our professionals stay motivated and engaged.

In the November 2020 employee listening survey, 82% of auditors said EY prepares them to work effectively with clients and colleagues from different countries and cultures, and 86% agreed that the people they work with make them feel that they belong to a team.

Leaders across EY make D&I a priority and it is a key metric across all the organisation's talent management programmes. To enable greater accountability across EY, the Global D&I Tracker helps track progress with consistent diversity and inclusiveness metrics and reports across the globe in the organisation. EY also created the Global Social Equity Task Force (GSET) to develop cohesive action plans, specifically addressing inequity and discrimination, including racism. It includes EY leaders with a wide range of backgrounds and perspectives, spanning geographies, service lines and functions.

Our values: who we are

People who demonstrate integrity, respect, teaming and inclusiveness

People with energy, enthusiasm and the courage to lead

People who build relationships based on doing the right thing

Audit technology and digital

EY continuously invests in improving audit methodologies and tools to digitise the audit from end to end, with the goal of performing the highest-quality audits in the profession. This investment reflects the EY commitment to building trust and confidence in the capital markets, and in economies the world over.



Working in a virtual world

There are two types of considerations when delivering a high-quality audit in an increasingly virtual business environment. The first category includes how EY member firms work, how their people can work remotely in an effective way, and how that can impact their own risks. The second category covers how businesses are evolving to work in a virtual world, where transactions are carried out online, across borders, without the need for physical interaction.

EY PLT understands the risks that a virtual world can have on the way its people work. This incorporates concerns about mental health and well-being, and the need to establish an appropriate work-life balance for an individual. However, it is also understood that the businesses that EY PLT works with face similar issues. High turnover of staff can create risks, and evolving business practices can create new risks, which in turn require an evolution in audit planning and practices.

Technology

EY audit engagement teams use technology to assist in executing and documenting the work performed in accordance with EY Global Audit Methodology (GAM).

EY Canvas, the global EY audit platform, lies at the heart of the audit and enables us to provide a high quality audit. EY Canvas is built using state-of-the-art technology for web applications. This allows us to provide data security and evolve our software to respond to changes in the accounting profession and regulatory environment.

Through the use of profile questions, audit engagements in EY Canvas are automatically configured with information relevant to an entity's listing requirements and industry. This helps to keep audit plans customised and up-to-date, and provides direct linkage to audit guidance, professional standards and documentation templates. EY Canvas is built with a user interface that allows the team to visualise risks and their relationship to the planned response and work performed in key areas. It also enables a channel for group audit teams to communicate inter-office risks and instructions, so that the primary audit team can direct execution and monitor performance of the group audit.

EY Canvas includes the EY Canvas Client Portal to assist teams in communicating with clients and streamlining their client requests. Mobile applications are integrated with EY Canvas to help our people in their audit work – e.g. in monitoring the status of the audit, capturing audit evidence securely and performing inventory observations.



EY Atlas

EY Atlas is the EY global technology platform that supports EY auditors to access the latest accounting and auditing content, including external standards, EY interpretations and thought leadership.

Our audit engagement teams use other applications, data analysers and forms during the various phases of an audit to assist in executing procedures, producing and documenting audit conclusions, and performing analysis. This includes EY Smart Automation, a collection of applications that are being developed and deployed globally through EY Canvas to digitally enable EY audit professionals in executing audit procedures and processes.



EY Canvas



Data analytics and the EY Digital Audit

At EY, we are making data analysis integral to our audits. EY audit teams' use of data and analysis is not about additive procedures or visualisations. It is about taking large populations of company data and applying globally consistent technology (EY Helix) and methodology (EY GAM) to audit that data.

EY Helix is a library of data analysers for use in audits. These data analysers are transforming the audit through the analysis of larger populations of audit-relevant data; identification of unseen patterns and trends in that data; and helping to direct audit efforts. The use of data analytics also allows EY teams to obtain better perspectives, richer insights, and a deeper understanding of transactions and areas of risk.

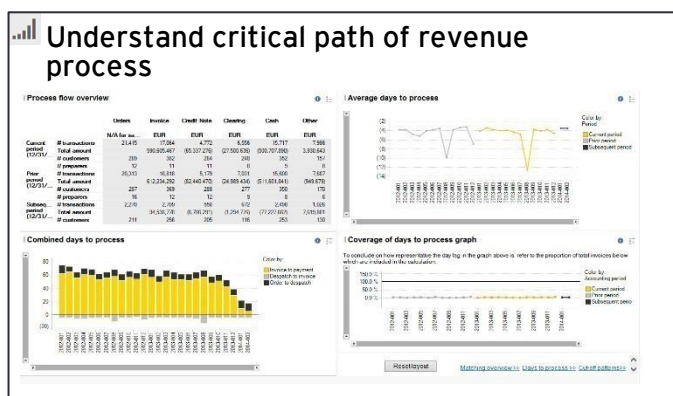
EY member firms are deploying data analysers to analyse the business operating cycles of audited companies, supported by analytics-based audit programmes to aid the application of these data analysers.

Using the EY Helix library of data analysers, EY audit engagement teams can enhance their audit risk assessments, enabling the audit of higher-risk transactions, and assisting EY people in asking better questions about audit findings and evaluating the outcomes.

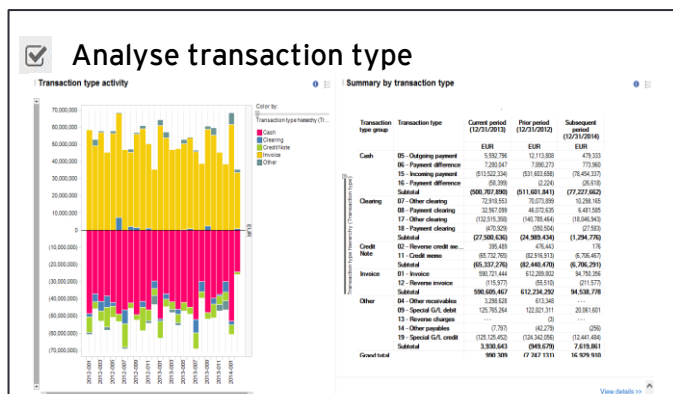
At EY PLT, we have undertaken Project: Digital (Project D) which is aimed at driving the appropriate usage of digital enablers and tools to address the audit objective. It will also help ensure a smooth transition for our teams adopting and implementing the EY Digital Audit.

Examples of EY Helix analysis:

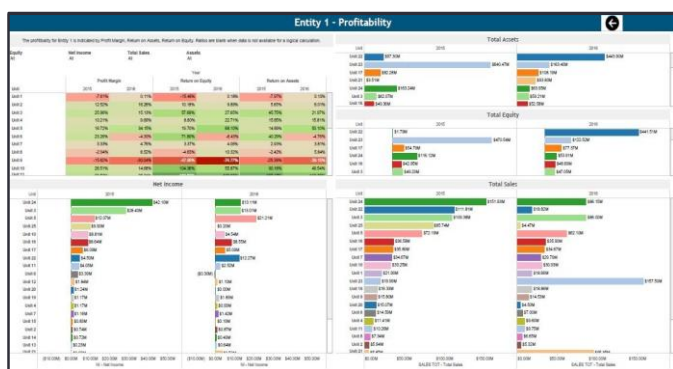
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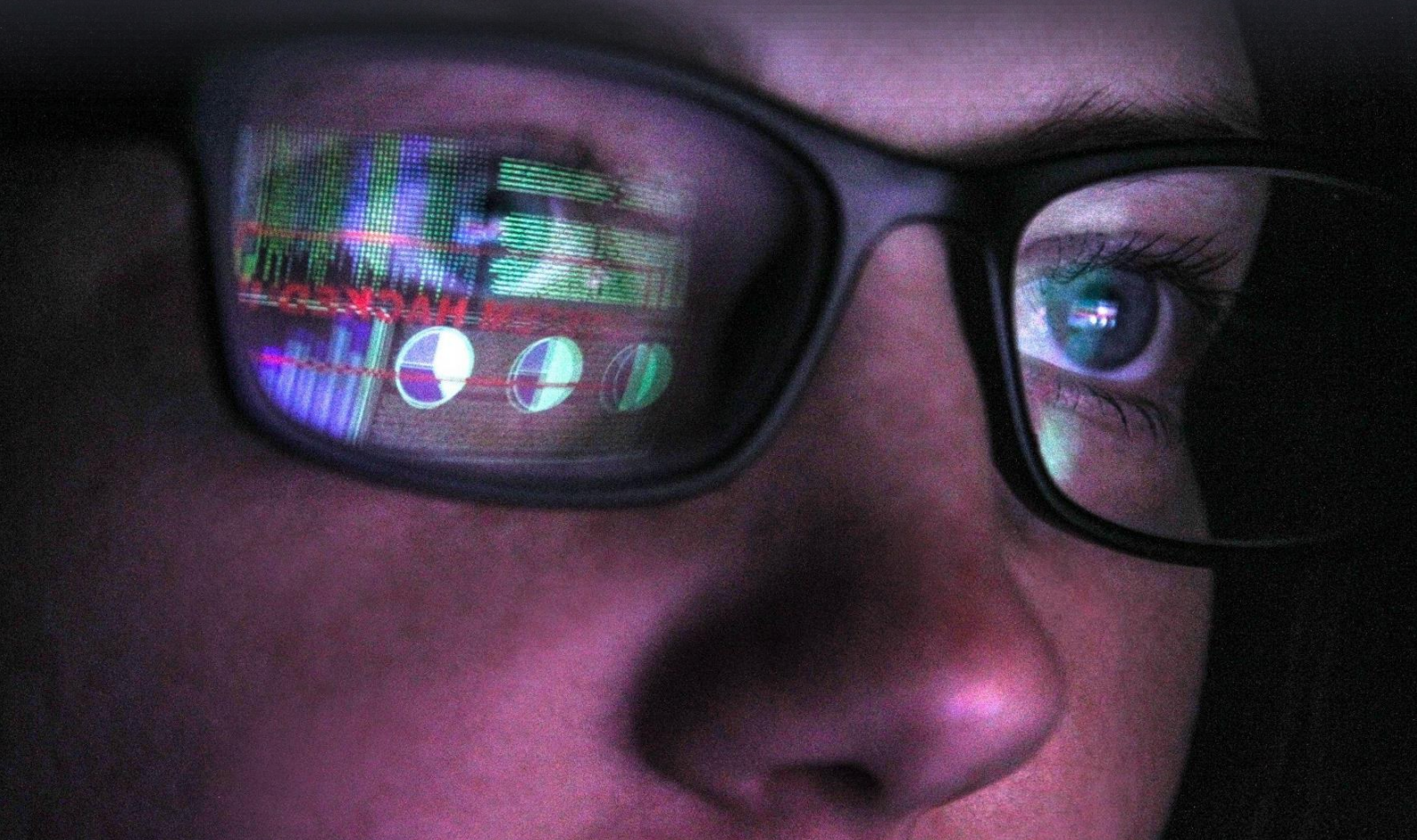
Fraud

As part of ongoing improvement efforts, there is recognition of the need to evolve how audits are performed to better address fraud. At a global level, EY is committed to leading the profession more widely to address stakeholder questions about the auditors' role in fraud detection.

Companies have never been as data rich as they are today, providing new opportunities to detect material frauds through data mining, analysis and interpretation. Auditors are ideally placed to carry out this role and are increasingly using data analytics to identify unusual transactions and patterns of transactions that might indicate a material fraud.

Technology is not a panacea, however, and professional judgement also comes into play. There is a responsibility for all involved, including management, boards, auditors and regulators, to focus more on corporate culture and behaviours to support fraud detection. The EY organisation is taking additional actions to address this important area of the audit, including:

- ▶ Mandating the use of data analytics for fraud testing in audits for all listed entities globally
- ▶ Using additional internal and external data and information to enable more nimble responses to external risk indicators, such as short selling and whistleblowers
- ▶ Using electronic confirmations for audit evidence, wherever possible
- ▶ Developing a proprietary fraud risk assessment framework for use with audit committees and those charged with governance
- ▶ Mandating annual fraud training for all audit professionals that incorporates the experiences of EY forensics professionals
- ▶ Requiring the use of forensic specialists in the audit on a targeted-risk basis



Simplification and innovation

Simplification and innovation go hand in hand, with one leading to the other as more effective ways of working are developed through audit technology and the adoption of a new, data-driven audit approach. Bigger and better data are combined with innovative ideas, resulting in simplified processes and an opportunity to examine work through a more purposeful lens. This enables a greater focus on risk, and, in return, an increase in audit quality.

Audit methodology

EY GAM provides a global framework for delivering high-quality audit services through the consistent application of thought processes, judgments and procedures in all audit engagements, regardless of the size. EY GAM also requires compliance with relevant ethical requirements, including independence from the audited entity. Making risk assessments; reconsidering and modifying them as appropriate; and using these assessments to determine the nature, timing and extent of audit procedures are fundamental to EY GAM. The methodology also emphasises applying appropriate professional scepticism in the execution of audit procedures. EY GAM is based on the International Standards on Auditing (ISAs) and is supplemented in EY PLT to comply with approved standards on auditing in Malaysia and other regulatory or statutory requirements.

Using an online tool, EY Atlas, an EY auditor is presented with a version of EY GAM, organised by topic, and designed to focus the audit strategy on the financial statement risks, and the design and execution of the appropriate audit response to those risks. EY GAM consists of two key components: requirements and guidance; and supporting forms and examples. The requirements and guidance reflect both auditing standards and EY policies. The forms and examples include leading practice illustrations and assist in performing and documenting audit procedures.

EY GAM can be “profiled” or tailored to present the relevant requirements and guidance, depending on the nature of the entity being audited – e.g., there are profiles for listed entities and for those considered non-complex entities.

EY GAM has been transformed with a new approach that puts data at the heart of the audit. Known as Digital GAM, this methodology facilitates the analysis of full populations of an organisation’s data to produce a fuller picture of the business, driving higher quality through a data-first audit approach.

Digital GAM enhances and often replaces the traditional audit testing approach with new, risk-based, technology-enabled techniques that simplify and refine the focus of EY auditors on relevant risks. In turn, EY auditors can analyse whole populations of an organisation’s data from multiple perspectives, building a body of evidence and producing a deeper view into the operational environment.

Other enhancements have been made to address emerging auditing issues and matters, implementation experiences and external and internal inspection results. Recently, enhancements have been made to EY GAM to emphasise the holistic approach to identifying, assessing and responding to fraud risks. This approach includes applying the fraud triangle as a lens on the information obtained from our risk assessment procedures. This approach also emphasises evaluating the results of our audit procedures in the context of responding to the risk of material misstatement in the financial statements due to fraud.

In addition, current and emerging developments are monitored, and timely audit planning and execution communications are issued that emphasise areas noted during the inspections as well as other key topics of interest to local audit regulators and the International Forum of Independent Audit Regulators (IFIAR). With respect to the impact that COVID-19 is having on the global economy, we continue to refresh guidance to address the accounting and financial reporting concerns that audited entities are facing, as well as audit considerations when performing audits in the current environment.

Emerging technologies

Emerging technologies are already having a significant influence on EY audits. Whether it is embedding artificial intelligence (AI) into data analytics tools, driving efficiency with robotic process automation (RPA) or using visualisation to enhance audit quality; innovative new tools are being used in intelligent and useful ways.

EY Smart Automation

This is a global programme to automate specific audit tasks, for example, sending and receiving confirmation requests and performing accounts disclosure checklists, which are directly linked with EY Canvas.

By automating routine and potentially time-consuming tasks, our teams can spend more time assessing the outputs and focusing on key judgements in the audit. We are increasingly investing in and deploying these new technologies to assist our teams in preparing consistent and high-quality outputs from their work.

AI

AI is an increasingly important tool in the delivery of a high-quality audit. A range of tools has been developed that use AI, such as Document Intelligence for Contract Review, which enables audit teams to review business documents more effectively by leveraging machine learning technologies.

The benefits include improved speed and accuracy of reading and interpreting contracts.



Sharpening focus on risk

The current environment has increased the risks of fraud and going concern, among others, and will require an even greater use of estimates. This environment makes it even more important that we are spending the time where it matters most - on identifying, assessing and responding to risk.

The sharpening focus on risk initiative introduced certain targeted changes and clarifications in EY GAM to improve the scalability of our audit processes based on an organisation's underlying complexity and inherent risks. These changes and clarifications have the objectives of better enabling our professionals to exercise professional judgement, focus on the appropriate risks at the right time, and take appropriate actions that drive audit quality.

At EY PLT, we have undertaken Project: Sharpening focus on risk (Project S) which is aimed at helping our teams focus on optimising audit strategies and procedures to better identify and address audit risks.

Enablement and quality support

Across the EY network, there are systems and structures in place to help analyse audit quality and improve working practices, skill sets and resource levels where necessary. To deliver high quality, it is important to support audit teams, who often work in stressful and demanding environments. It is equally crucial to monitor audit quality and engage in open discussions when challenges arise.

Quality Enablement Leaders

The EY Quality Enablement Leaders (QELs) network is a group of senior Assurance leaders around the world who drive improvements in audit quality by providing support to engagement teams.

Their responsibilities include coaching teams; supporting internal and external inspections; advising teams on remediating the root causes of significant audit deficiencies; driving practice and project management; supporting portfolio risk analyses; and implementing processes related to the EY system of quality management, including global AQIs.

Using EY Canvas and Milestones (see page 39), as well as ever more sophisticated artificial intelligence (AI) tools, the QELs are able to build a picture of audit quality performance in real time. This, in turn, gives greater clarity over where resources should be deployed to support audit teams and the companies they audit.

The Malaysia QEL, who is also the Asean QEL, is responsible for the quality enablement function in EY PLT and accountable to the Asia-Pacific QEL.

Professional Practice

The Global Vice Chair of Professional Practice, referred to as the Global Professional Practice Director (PPD), is overseen by the Global Vice Chair of Assurance and works to establish global audit quality control policies and procedures. Each of the Area PPDs as well as the Global Delivery Service center PPD is overseen by the Global PPD and the related Area Assurance Leader. This helps provide greater assurance as to the objectivity of audit quality and consultation processes.

The Global PPD leads and oversees the Global Professional Practice group. This is a global network of technical subject-matter specialists in accounting and auditing standards who consult on accounting, auditing and financial reporting matters; and perform various practice monitoring and risk management activities.

The Global PPD oversees the development of the EY Global Audit Methodology (EY GAM) and related audit policies and technologies so that they are consistent with relevant professional standards and regulatory requirements. The Global Professional Practice group also oversees the development of the guidance, training and monitoring programmes, and processes used by member firm professionals to execute audits consistently and effectively. The Global, Area, Regional and Country PPDs, together with other professionals who work with them in each member firm, are knowledgeable about EY people, clients and processes, and they are readily accessible for consultation with audit engagement teams.

The Malaysia PPD is responsible for the professional practice function in EY PLT and is accountable to the Regional PPD.

Additional resources often augment the Global Professional Practice group, including networks of professionals focused on:

- ▶ Internal-control reporting and related aspects of the EY audit methodology
- ▶ Accounting, auditing and risk issues for specific topics, industries and sectors
- ▶ Event-specific issues involving areas of civil and political unrest; pandemics; or sovereign debt and related accounting, auditing, reporting and disclosure implications
- ▶ General engagement matters and how to work effectively with audit committees

Consultation requirements

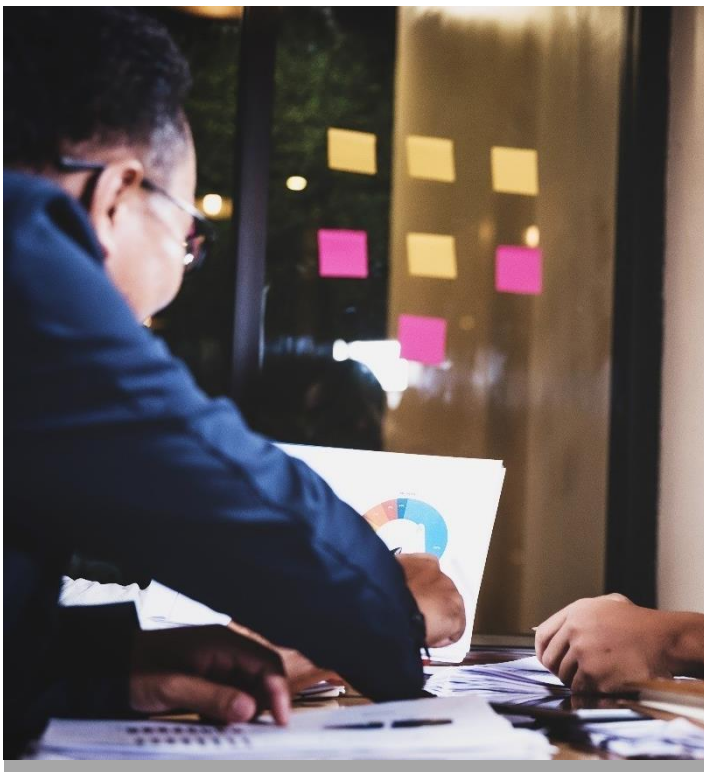
EY consultation policies are built upon a culture of collaboration, whereby audit professionals are encouraged to share perspectives on complex accounting, auditing and reporting issues. As the environment in which EY member firms work has become more complex and globally connected, the EY culture of consultation has become even more important to help member firms reach the appropriate conclusions for entities that they audit on a timely basis. Consultation requirements and related policies are designed to involve the right resources so that audit teams reach appropriate conclusions.

The EY culture of consultation enables engagement teams to deliver seamless, consistent and high-quality services that meet the needs of audited entities, their governance bodies and all stakeholders.



For complex and sensitive matters, there is a formal process requiring consultation outside of the audit engagement team with other personnel who have more experience or specialised knowledge, primarily Professional Practice and Independence personnel. In the interests of objectivity and professional scepticism, EY policies require members of Professional Practice, Independence and certain others to withdraw from a consultation if they currently serve, or have recently served, the client to which the consultation relates. In these circumstances, other appropriately qualified individuals would be assigned.

EY policies also require that all consultations are documented, including written concurrence from the person or persons consulted, to demonstrate their understanding of the matter and its resolution.



Audit engagement team resolution process for differences of professional opinion

EY has a collaborative culture that encourages and expects people to speak up, without fear of reprisal, if a difference of professional opinion arises or if they are uncomfortable about a matter relating to a client engagement. Policies and procedures are designed to empower members of an audit engagement team to raise any disagreements relating to significant accounting, auditing or reporting matters.

These policies are made clear to people as they join EY, and we continue to promote a culture that reinforces a person's responsibility and authority to make their own views heard and seek out the views of others.

Differences of professional opinion that arise during an audit are generally resolved at the audit engagement team level. However, if any person involved in the discussion of an issue is not satisfied with the decision, they refer it to the next level of authority until an agreement is reached or a final decision is made, including consultation with Professional Practice if required.

Furthermore, if the engagement quality reviewer makes recommendations that the engagement partner does not accept or the matter is not resolved to the reviewer's satisfaction, the auditors' report is not issued until the matter is resolved.

Differences of professional opinion that are resolved through consultation with Professional Practice are appropriately documented.



Root cause analysis

Root cause analysis is a central part of the EY quality improvement framework, providing an in-depth assessment of the root causes that underlie an audit's favourable or unfavourable inspection outcome. This enables the identification of the key factors that can impact audit quality and the taking of responsive actions.

EY PLT's audit practice identifies and evaluates the causal factors when a root cause analysis is performed. Analysing this research enables a better understanding of the drivers behind both positive and negative inspection outcomes. Responsive action plans are developed to address the root causes for significant engagement related findings. EY PLT's audit practice reviews the nature and prevalence of root causes to determine if systemic issues exist and if so, further action plans are developed. EY Global Remediation Taskforce is responsible for addressing any pervasive root causes across the network and implementing responsive action plans on a larger scale.

Accountability

EY has a duty, in serving the public interest, to help its people take responsibility for performing quality work at all times. To achieve and sustain this, the organisation has embedded a culture of accountability at all levels of the audit process – a culture of doing the right thing. This means that partners, senior managers, managers and the rest of their teams are expected to maximise use of the digital technology, and be driven by the EY quality agenda in everything they do.

Measuring audit quality

While the measurement of audit quality is subjective to a certain extent, it can also be assessed using objective measures. These measures include inspection results – both from external and internal inspections – and the results of coaching activities, performance in terms of the timeliness of the audit, and the competencies and experience of EY audit teams.



Audit quality reviews

The EY Global AQR programme is the cornerstone of the EY process to monitor audit quality. EY PLT executes the Global AQR programme, reports results and develops responsive action plans. The primary goal of the programme is to determine whether systems of quality controls, including those of EY PLT, are appropriately designed and followed in the execution of audit engagements to provide reasonable assurance of compliance with policies and procedures, professional standards and regulatory requirements. The Global AQR programme complies with requirements and guidelines in ISQC 1, as amended, and is supplemented, where necessary, to comply with Malaysian professional standards and regulatory requirements. It also aids EY PLT's continual efforts to identify areas where we can improve our performance or enhance our policies and procedures.

Executed annually, the programme is coordinated and monitored by representatives of the Global PPD network, with oversight by the Global Assurance leadership.

The engagements reviewed each year are selected on a risk-based approach, emphasising audit engagements that are large, complex or of significant public interest, including elements of unpredictability. The Global AQR programme includes detailed risk-focused file reviews covering a large sample of listed and non-listed audit engagements, and public and non-public interest entities, to measure compliance with internal policies and procedures; EY GAM requirements; and relevant local professional standards and regulatory requirements. It also includes reviews of a sample of non-audit assurance engagements performed by audit engagement teams. These measure compliance with the relevant professional standards, and internal policies and procedures that should be applied in executing non-audit assurance services. In addition, practice-level reviews are performed to assess compliance with quality control policies and procedures in the functional areas set out in ISQC 1.

The Global AQR programme complements external practice monitoring and inspection activities, such as inspection programmes executed by audit regulators and external peer reviews. It also informs us of our compliance with regulatory requirements, professional standards, and policies and procedures.

AQR reviewers and team leaders are selected for their skills and professional competence in accounting and auditing, as well as their industry specialisation. They have often participated in the Global AQR programme for a number of years and are highly skilled in the execution of the programme. Team leaders and reviewers are independent of the engagements and teams they are reviewing, and are normally assigned to inspections outside of their home location.

The COVID-19 pandemic continues to place restrictions on travel and face-to-face interaction. Utilising EY Canvas and other collaboration tools, and leveraging the lessons learned in 2020, the AQR programme was effectively completed in EY PLT.

The results of the AQR process are summarised globally (including for Areas and Regions), along with any key areas where the results indicate that continued improvements are required. Summarised results are shared within the network. Measures to resolve audit quality matters noted from the Global AQR programme, regulatory inspections and peer reviews are addressed by the Assurance leadership and our PPD. These programmes provide important practice monitoring feedback for our continuing quality improvement efforts.

External quality assurance reviews

EY PLT's audit practice and our registered statutory auditors are subject to regular inspection by the Audit Oversight Board (AOB) of the Securities Commission Malaysia. As part of its inspections, the AOB evaluates quality control systems and reviews selected engagements.

The last quality assurance inspection by AOB took place in September 2020.

The final report on the inspection was issued on 26 February 2021.

We benefited from the AOB inspection process. We thoroughly evaluated the matters raised during the inspection in order to identify areas where audit quality can be improved. Engagements with findings are subject to root cause analysis (see page 47). Together with the AQR process, external inspections provide valuable insights into the quality of EY audits. These insights enable us to effectively execute high-quality audits.

Information on the AOB along with publicly available inspection reports can be found at <https://www.sc.com.my/aob>

Audit quality indicators (AQIs)

Audit quality is not defined in professional standards, and stakeholders may have different views on how it should be measured. While no single reportable metric or set of metrics can be viewed as a sole indicator of audit quality, a set of metrics can be used to give an indication of audit quality.

The Assurance leadership monitors the execution of the EY strategy and vision by local geographies through a combination of metrics or AQIs.

AQI dashboards help to inform the leadership about whether particular actions are having the intended effect, to provide an early warning where intervention is warranted and support the effectiveness of the overall EY system of quality management.

AQIs should not be read in isolation as the level of audit quality can be impacted by a combination of other quantitative and qualitative factors.

Whilst EY PLT utilises many AQIs to monitor audit quality, for the purposes of this report, we provide a summary of 6 selected AQIs:

Type of AQI	Indicator	FY21	FY20
Audit partner supervision	Average number of PIEs per partner	5	5
	Average number of listed PIEs per partner	3	3
	Average number of entities related to PIEs+ per partner	60	56
	Average number of non-PIEs per partner (excluding entities related to PIEs)	129	142
Fee information	Percentage of fees by type of service provided to audit clients:		
	▶ Statutory audit services	70%	69%
	▶ Other assurance services	7%	8%
	▶ Services provided by non-audit practice	23%	23%
Headcount, experience and qualifications of audit personnel	Percentage of fees by audit practice and non-audit practice:		
	▶ Audit practice	43%	45%
	▶ Non-audit practice	57%	55%
	Headcount of audit personnel as at 30 June:		
▶ Partners	44	45	
▶ Managerial staff	188	220	
▶ Non-managerial staff	1,306	1,621	
Total	1,538	1,886	
Headcount, experience and qualifications of audit personnel	Average headcount of audit personnel for the financial year ended 30 June:		
	▶ Partners	45	45
	▶ Managerial staff	212	223
	▶ Non-managerial staff	1,500	1,589
	Total	1,757	1,857
	Headcount of audit personnel with professional qualifications as at 30 June:		
	▶ With professional qualifications and/or MIA membership	337	414
	▶ Pursuing professional qualifications and/or MIA membership	1,129	1,381
	▶ Without professional qualifications and/or MIA membership	72	91
	Turnover rate for audit personnel	32%	18%
Headcount, experience and qualifications of audit personnel	Average years of experience of audit personnel:		
	▶ Partners	22.1	22.1
	▶ Managerial staff	10.7	10.5
	▶ Non-managerial staff	2.4	2.2

+Entities related to PIEs refer to non-PIEs within the PIE Group which are audited by EY PLT. Examples include, but are not limited to, subsidiaries, associates and joint ventures of PIEs.

Type of AQI	Indicator	FY21	FY20
Audit engagement supervision	Partner to manager and staff ratio	1:34	1:41
	Manager to staff ratio	1:7	1:7
Audit firm's investment to uphold audit quality	Average training hours attended by audit personnel:		
	▸ Partners	66	79
	▸ Managerial staff	133	114
	▸ Non-managerial staff	76	87
	Headcount of quality control by functions:		
	▸ Risk Management	6	7
	▸ Training	6	5
▸ Technical	15	18	
Total [@]	27	30	
	Quality control personnel to total audit personnel ratio	1:57	1:63
	Quality control personnel to audit partners and managers ratio	1:9	1:9
	Quality control partners to audit partners ratio	1:9	1:6
Internal and external monitoring reviews	Number of audit partners/engagements subjected to AQR:		
	▸ PIE	9	10
	▸ Non-PIE	4	6
	Total	13	16
	% of AQR results with no material findings [^]	100%	94%
	External quality assurance reviews - number of audit partners/engagements inspected by AOB	4	3
	% of external quality assurance review results with no findings	50%	0%

[^] We evaluate and rate the AQR results on a three-point scale: 1 = no or minor findings; 2 = findings that were more than minor but less than material; 3 = material findings. Engagements with no material findings represents those rated 1 and 2.

[@] Includes 12 (FY20: 13) personnel who have other roles within the organisation such as being involve in audit engagements or handle matters for the non-audit practice (i.e. tax, consulting and strategy and transactions) and 2 (FY20: 2) personnel who are contract employees of the firm.



Improvements were observed in internal and external monitoring review results

Overall, our internal and external monitoring review results have improved. In FY21, all of EY PLT's audit engagements subjected to AQR were rated 1 (i.e. with no or minor findings). There were no findings arising from the firm-level review for both financial years.

The most recent AOB inspection took place in September 2020. There were no inspection findings for two out of the four audit engagements selected for inspection in FY21. For FY20, all selected audit engagements had some findings. For FY21 and FY20, there were no material findings raised at the firm-level review. As part of our commitment to sustainable audit quality, we have enhanced and introduced new controls where necessary in response to the external quality assurance review findings.

On 10 December 2020, a former audit partner of EY PLT - who was responsible for the audit engagement of a public interest entity for the financial year ended 31 December 2018 - was sanctioned by the AOB for failure to comply with certain requirements of the International Standards on Auditing in the performance of an audit of a public interest entity. The circumstance surrounding the audit on which this engagement partner was sanctioned was an isolated incident. We have acted in a responsible and timely manner. The system of quality control of EY PLT remains robust and effective.

Audit partner supervision, average headcount and years of experience, and our investment to uphold audit quality

We monitor an audit partner's client workload based on the number of audit clients under the partner's oversight including the appropriateness of portfolio mix, the collective size of the audit fees, the supervised hours and the other administration roles he or she is involved in. We take into consideration a number of factors when assigning our professionals to audit engagements, such as specialised industry knowledge, engagement size and complexity, experience and continuity.

In addition, training our professionals is a key component of our ongoing drive to improve audit quality. PPD, QEL and our Learning and Development functions provide the infrastructure and resources to ensure this is achieved. The average training hours exceeded the target average of 20 hours annually of structured Continuing Professional Education (CPE) as required by the Malaysian Institute of Accountants (MIA).



Challenges in turnover rate for audit personnel

Our turnover rate rose to 32% from 18% in the previous financial year. FY20 turnover rate is lower than our 5-year average and is attributable to the 'wait-and-see' approach of our workforce in light of the uncertainty on employment and travel restrictions globally. In FY21, we experienced a spike in resignations as markets and employers opened up and accelerated recruitment activities in order to clear hiring backlogs.

Despite this, we continue to monitor our resourcing requirements and reinforce our people with further coaching, guidance and training. This is reflected in our audit engagement supervision and average training AQLs.

Partner remuneration

Quality is at the center of the EY strategy and is a key component of EY performance management systems. EY PLT partners are evaluated and compensated based on criteria that include specific quality and risk management indicators, covering both actions and results.

LEAD for partners, principals, executive directors and directors (PPEDDs) applies to all partners in EYG member firms around the world. LEAD for PPEDDs reinforces the global business agenda by continuing to link performance to wider goals and values. The process includes goal setting, ongoing feedback, personal development planning and performance review, and is tied to the partners' recognition and reward. Documenting the partners' goals and performance is the cornerstone of the evaluation process. A partner's goals are required to reflect various global priorities, one of which is quality.

EY policies prohibit evaluating and compensating lead audit engagement partners and other key audit partners on an engagement based on the sale of non-Assurance services to companies they audit. This reinforces to the partners of the EY member firms their professional obligation to maintain independence and objectivity.

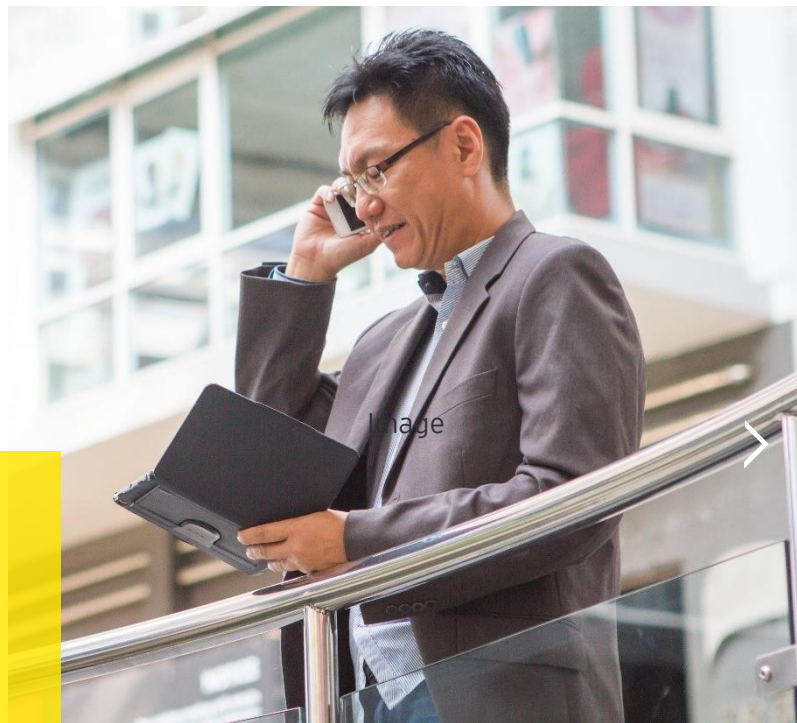
Specific quality and risk performance measures have been developed to account for:

- ▶ Providing technical excellence
- ▶ Living the EY values as demonstrated by behaviours and attitude
- ▶ Demonstrating knowledge of, and leadership in, quality and risk management
- ▶ Complying with policies and procedures
- ▶ Complying with laws, regulations and professional duties
- ▶ Contributing to protecting and enhancing the EY brand

The partners of the EY member firms compensation philosophy calls for meaningfully differentiated rewards based on a partner's level of performance, as measured within the context of LEAD. Partners are assessed by their firms annually on their performance in delivering quality, exceptional client service and people engagement, alongside financial and market metrics.

“

We operate under a system that requires quality to be a significant consideration in a partner's overall year-end rating.



To recognise different market values for different skills and roles, and attract and retain high-performing individuals, the following factors are also considered when we determine our partners' total reward:

- ▶ Experience
- ▶ Role and responsibility
- ▶ Long-term potential

Instances of non-compliance with quality standards will result in remedial actions, which may include performance evaluation, compensation adjustment, additional training, additional supervision or reassignment. A pattern of non-compliance or particularly serious non-compliance may result in actions that include separation from EY PLT.



4.2

Other critical audit quality components

- 56 Independence practices
- 61 Client acceptance and continuance
- 63 Compliance with legal requirements
- 65 Risk management function
- 67 Audit teams: establishment and supervision

EY PLT's reputation for providing high-quality professional audit services independently, objectively and ethically is fundamental to our success as independent auditors. We continue to invest in initiatives to promote enhanced objectivity, independence and professional scepticism. These are fundamental attributes of a high-quality audit.

At EY PLT, our role as auditors is to provide assurance on the fair presentation of the financial statements of the companies audited. We bring together qualified teams to provide audit services, drawing on our broad experience across industry sectors and services. We continually strive to improve quality and risk management processes so that the quality of our service is at a consistently high level.

In today's environment, characterised by continuing globalisation, the rapid movement of capital and the impact of technological changes, the quality of our audit services has never been more important.

As part of NextWave, there is a continued and strong investment in the development and maintenance of the EY audit methodology, tools and other resources needed to support high-quality audits.

While the market and stakeholders continue to demand high-quality audits, they also demand an increasingly effective and efficient delivery of audit services. In addition to the investments mentioned, EY continues to seek ways to improve the effectiveness and efficiency of its audit methodology and processes, while improving audit quality.

EY works to understand where the member firms' audit quality may not be up to their own expectations and those of stakeholders, including independent audit regulators. This includes seeking to learn from external and internal inspection activities and identifying the root causes of adverse quality occurrences to enable a continual improvement of audit quality.

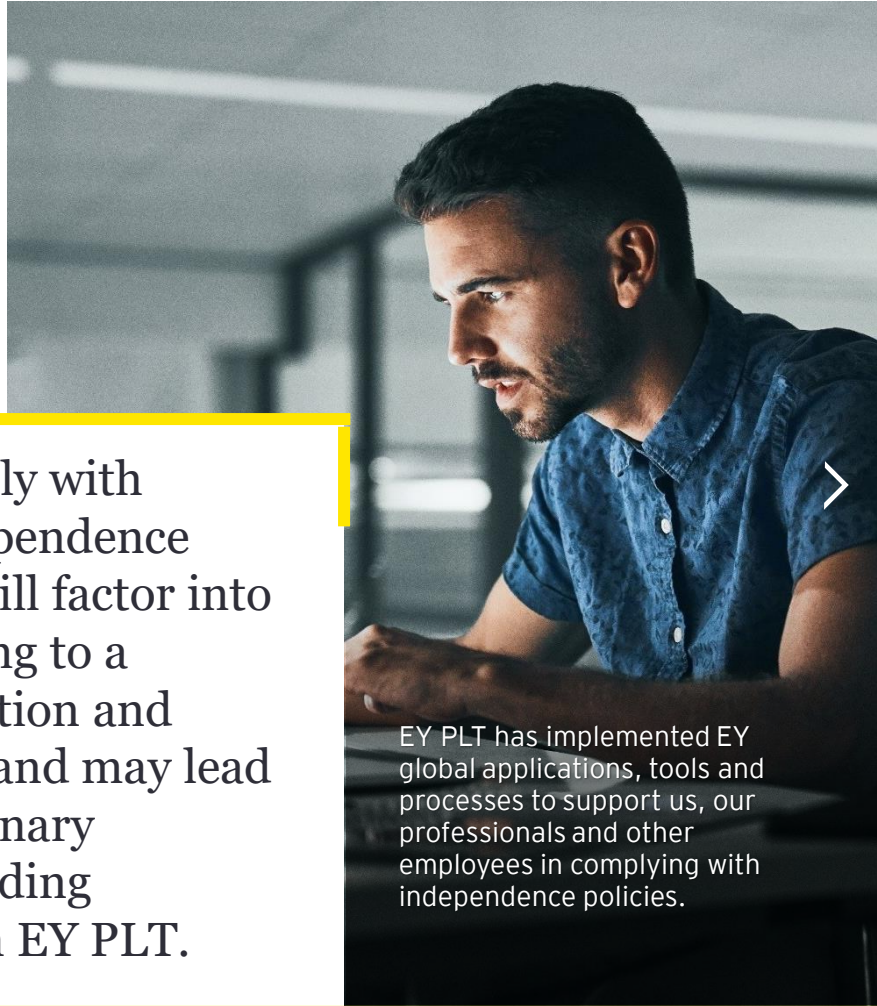
The sections below provide further description on other critical audit quality components in respect of our audit engagements and audit teams.



Independence practices

The EY Global Independence Policy requires EY PLT and EY people to comply with the independence standards applicable to specific engagements, e.g., the International Ethics Standards Board for Accountants (IESBA) Code of Ethics and the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants.

We consider and evaluate independence with regard to various aspects, including our financial relationships and those of our people; employment relationships; business relationships; the permissibility of services we provide to audit clients; applicable firm and partner rotation requirements; fee arrangements; audit committee pre-approval, where applicable; and partner remuneration and compensation.



Failure to comply with applicable independence requirements will factor into decisions relating to a person's promotion and compensation, and may lead to other disciplinary measures, including separation from EY PLT.

EY PLT has implemented EY global applications, tools and processes to support us, our professionals and other employees in complying with independence policies.

12

Policy,
processes and
tools

1. EY Global Independence Policy
2. Global Independence System (GIS)
3. Global Monitoring System (GMS)
4. Independence compliance
5. Independence confirmation
6. Independence compliance reviews
7. Personal independence compliance testing
8. Non-audit services
9. Global independence learning
10. Service Offering Reference Tool (SORT)
11. Business Relationship Evaluation Tool (BRET)
12. Audit committees and oversight of independence

1 EY Global Independence Policy

The EY Global Independence Policy contains the independence requirements for member firms, professionals and other personnel. It is a robust policy predicated on the IESBA Code and supplemented by more stringent jurisdiction requirements as prescribed by the local legislative body, regulator or standard-setting body. The policy also contains guidance designed to facilitate an understanding and the application of the independence rules. The EY Global Independence Policy is readily accessible and easily searchable on the EY intranet.

2 Global Independence System (GIS)

The GIS is an intranet-based tool that helps EY professionals identify the entities from which independence is required and the independence restrictions that apply. Most often, these are listed audit clients and their affiliates, but they can also be other types of attest or assurance clients. The tool includes family-tree data relating to affiliates of listed audit clients and is updated by client-serving engagement teams. The entity data includes notations that indicate the independence rules that apply to each entity, helping our people determine the type of services that can be provided or other interests or relationships that can be entered into.

3 Global Monitoring System (GMS)

The GMS is another important global tool that assists in identifying proscribed securities and other impermissible financial interests. Professionals ranked as manager and above are required to enter details about all securities they hold, or those held by their immediate family, into the GMS. When a proscribed security is entered or if a security they hold becomes proscribed, professionals receive a notice and are required to dispose of the security. Identified exceptions are reported through an independence incident reporting system for regulatory matters.

GMS also facilitates annual and quarterly confirmation of compliance with independence policies.

4 Independence compliance

EY has established several processes and programmes aimed at monitoring compliance with the independence requirements of EY member firms and their people. These include the following activities, programmes and processes.

5 Independence confirmation

Annually, EY PLT is included in an Area-wide process to confirm compliance with the EY Global Independence Policy and process requirements, and report identified exceptions, if any.

All EY professionals, and certain others, based on their role or function, are required to confirm compliance with independence policies and procedures at least once a year. All partners, EY professionals ranked manager and above, and certain others, based on their role or function are required to confirm compliance quarterly.



6 Independence compliance reviews

EY conducts internal procedures to assess member firm compliance with independence matters. These reviews include aspects of compliance related to non-audit services, business relationships with the companies we audit and the financial relationships of member firms.

7 Personal independence compliance testing

Each year, the EY Global Independence team establishes a programme for testing compliance with personal independence confirmation requirements and with the reporting of information into GMS. The table summarises the planned coverage under the programme.

Roles	Testing frequency/timing
Partner in Leadership [#]	Every three years
Partner	Every five years
Promotion to Partner, Associate Partner, Executive Director or Director	Prior to promotion
Random 3% sample of other professionals (Manager and above, not Partners)	Annually

[#]Partner in Leadership includes the Managing Partner and Service Line Leaders.

The personal independence compliance testing is performed on a collective basis for EY PLT and its affiliated entities. For FY21 testing cycle, the personal independence compliance testing covered more than 70 partners and other personnel. We continue to focus on educating our professionals in regard to their responsibilities, ensuring compliance with EY policies, and continue to seek improvement in compliance.

8 Non-audit services

EY monitors compliance with professional standards, laws and regulations governing the provision of non-audit services to audit clients through a variety of mechanisms. These include the use of tools, such as PACE (see page 62) and the Service Offering Reference Tool (SORT) (see the following page), training and required procedures completed during the performance of audits and internal inspection processes. There is also a process in place for the review and approval of certain non-audit services in advance of accepting the engagement.

9 Global independence learning

EY develops and deploys a variety of independence learning programmes. All EY professionals and certain other personnel are required to participate in annual independence learning to help maintain independence from the companies EY member firms audit.

The goal is to help EY people understand their responsibilities and enable each of them, and their member firms, to be free from interests that might be regarded as incompatible with objectivity, integrity and impartiality in serving an audit client.

The annual independence learning programme covers independence requirements, focusing on recent changes to policy, as well as recurring themes and topics of importance. The timely completion of annual independence learning is required and closely monitored.

In addition to the annual learning programme, independence awareness is promoted through events and materials, including new-hire programmes, milestone programmes and core service line curricula.

10 Service Offering Reference Tool (SORT)

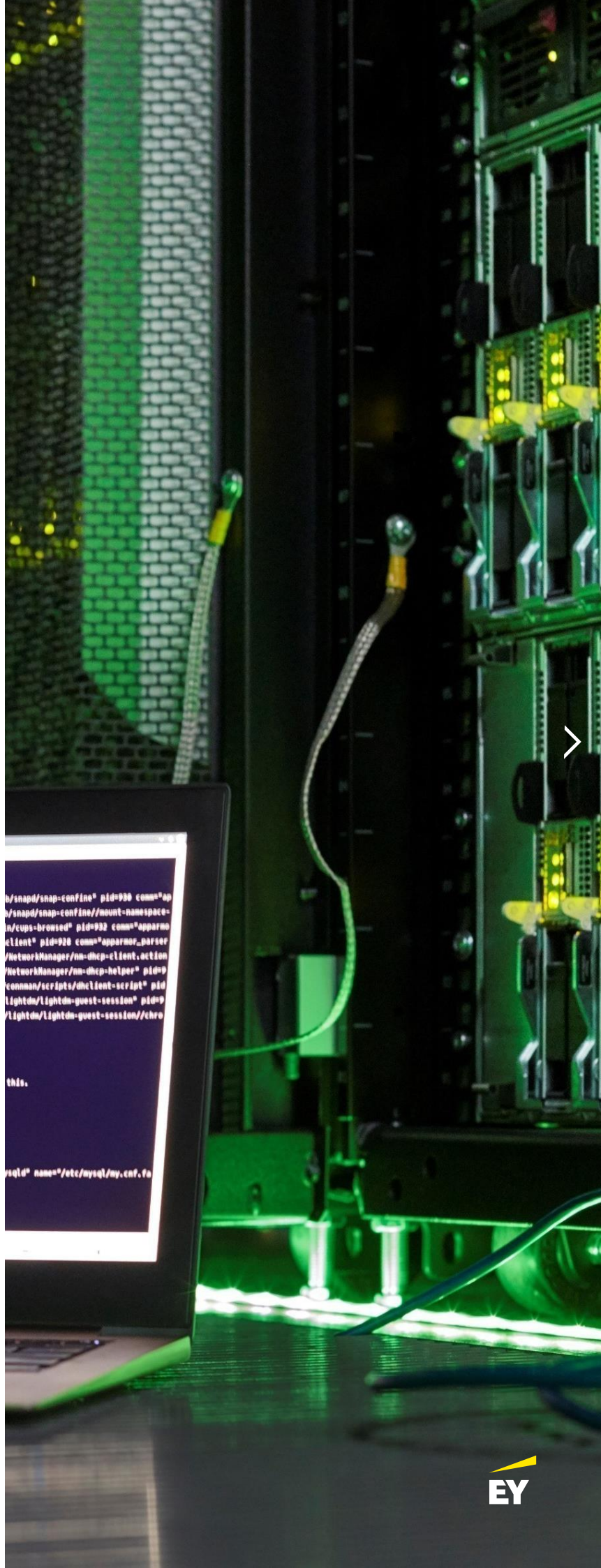
We assess and monitor our portfolio of services on an ongoing basis to confirm that they are permitted by professional standards, laws and regulations, and to make sure that we have the right methodologies, procedures and processes in place as new service offerings are developed. We restrict services from being provided that could present undue independence or other risks. SORT provides EY people with information about EY service offerings. It includes guidance on which services can be delivered to audit and non-audit clients, as well as independence and other risk management issues and considerations.

11 Business Relationship Evaluation Tool (BRET)

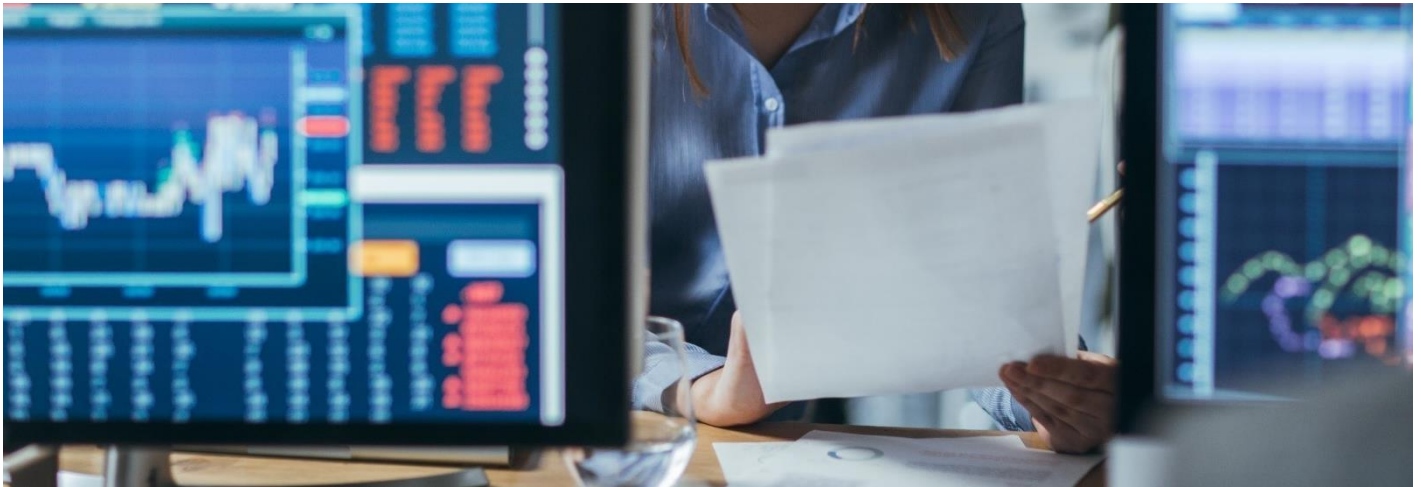
EY people are required to use BRET in many circumstances to identify, evaluate and obtain advance approval of a potential business relationship with an audit client, thereby supporting our compliance with independence requirements.

12 Audit committees and oversight of independence

We recognise the important role audit committees and similar corporate governance bodies undertake in the oversight of auditor independence. Empowered and independent audit committees perform a vital role on behalf of shareholders in protecting independence and preventing conflicts of interest. We are committed to robust and regular communication with audit committees or those charged with governance. Through the EY quality review programmes, we monitor and test audit committee communications for compliance with EY standards, as well as the pre-approval of non-audit services, where applicable.



Rotation and long association



EY PLT complies with the audit partner rotation requirements of the IESBA Code and the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants, as well as the U.S. Securities and Exchange Commission (SEC) and Bank Negara Malaysia, where required. EY PLT supports audit partner rotation because it provides a fresh perspective and promotes independence from company management, while retaining expertise and knowledge of the business. Audit partner rotation, combined with independence requirements, enhanced systems of internal quality controls and independent audit oversight, helps strengthen independence and objectivity, and is an important safeguard of audit quality.

For PIEs, the EY Global Independence Policy requires the lead engagement partner, the engagement quality reviewer and other audit partners who make key decisions or judgments on matters significant to the audit, (together, the “key audit partners”), to be rotated after seven years. For entities regulated by Bank Negara Malaysia, the lead engagement partner is rotated after five years. For a new PIE, (including a newly listed company), key audit partners may remain in place for an additional two years before rotating off the team if they have served the company for six or more years prior to the listing.

Upon completing the maximum service period for rotation, a key audit partner may not lead or coordinate professional services to the PIE audit client until after completing a cooling-off period. This period is five years for a lead audit engagement partner, three years for an engagement quality reviewer and two years for other partners, subject to rotation.

Where the required cooling-off period for the lead audit engagement partner established by the local legislative body or regulator is less than five years, the higher of that cooling-off period or three years may be substituted for the otherwise required five-year cooling-off period. This jurisdictional exception for the lead audit engagement partner may only be applied for audit periods beginning prior to 15 December 2023.

In addition to the key audit partner rotation requirements applicable to PIE audit clients, EY has established a long association safeguards framework. This is consistent with the requirements of the IESBA Code and includes consideration of the threats to independence created by the involvement of professionals over a long period of time and a safeguards framework to address such threats.

We employ tools to effectively monitor compliance with internal rotation, and requirements for audit partners and other professionals who have had a long association with the audit client.

There is also a process for rotation planning and decision-making that involves consultation with, and approvals by, our Professional Practice and Independence professionals.

Client acceptance and continuance

Global policy on client and engagement acceptance

EY global policy on client and engagement acceptance sets out principles for member firms to determine whether to accept a new client or a new engagement, or to continue with an existing client or engagement. These principles are fundamental to maintaining quality, managing risk, protecting EY people and meeting regulatory requirements. The objectives of the policy are to:

- ▶ Establish a rigorous process for evaluating risk and making decisions to accept or continue clients or engagements
- ▶ Meet applicable independence requirements
- ▶ Identify and deal appropriately with any conflicts of interest
- ▶ Identify and decline clients or engagements that pose excessive risk
- ▶ Require consultation with designated professionals to identify additional risk management procedures for specific high-risk factors
- ▶ Comply with legal, regulatory and professional requirements

In addition, the EY global policy on conflicts of interest defines global standards for addressing categories of potential conflicts of interest and a process for identifying them. It also includes provisions for managing potential conflicts of interest as quickly and efficiently as possible, using appropriate safeguards. Such safeguards may include obtaining client consent to act for another party where a conflict of interest may exist, establishing separate engagement teams to act for two or more parties, implementing appropriate separations between engagement teams or declining an engagement to avoid an identified conflict.

The EY global policy on conflicts of interest and associated guidance consider the increasing complexity of engagements and client relationships, and the need for speed and accuracy in responding to clients. They also align with the latest International Ethics Standards Board for Accountants (IESBA) standards.



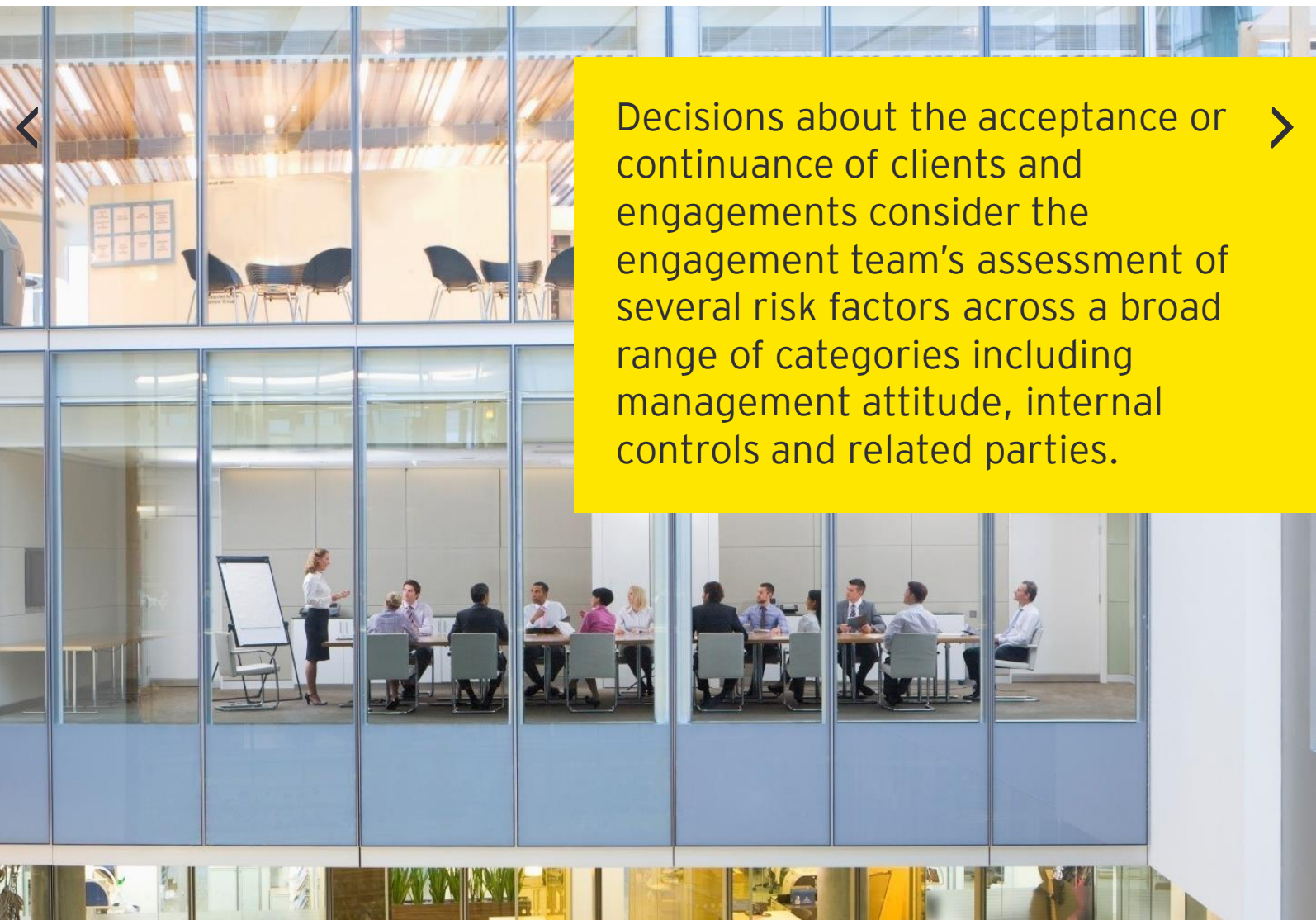
Putting policy into practice

We use the EY Process for Acceptance of Clients and Engagements (PACE), an intranet-based system, for efficiently coordinating client and engagement acceptance and continuance activities in line with global, service line and member firm policies. PACE takes users through the acceptance and continuance requirements, and identifies the policies and references to professional standards needed to assess both business opportunities and associated risks.

As part of this process, we carefully consider the risk characteristics of a prospective client or engagement and the results of due diligence procedures. Before taking on a new engagement or client, we determine whether we can commit sufficient resources to deliver quality service, especially in highly technical areas, and if the services the client wants are appropriate for us to provide. The approval process is rigorous, and no new audit engagement may be accepted without the approval of the Regional or local PPD.

In the EY annual client and engagement continuance process, we review our service and ability to continue to provide a quality service, and confirm that the clients share EY PLT's commitment to quality and transparency in financial reporting. The lead audit engagement partner of each audit, together with our Assurance leadership, annually reviews our relationship with the audit client to determine whether continuance is appropriate.

As a result of the review, certain audit engagements were identified as requiring additional oversight procedures during the audit (close monitoring), and some audit clients were discontinued. As with the client acceptance process, our Malaysia PPD is involved in the client continuance process and must agree with the continuance decisions.



Decisions about the acceptance or continuance of clients and engagements consider the engagement team's assessment of several risk factors across a broad range of categories including management attitude, internal controls and related parties.

Compliance with legal requirements

The EY Global Code of Conduct provides clear guidance about EY actions and business conduct. EY PLT complies with applicable laws and regulations, and the EY core values underpin our commitment to doing the right thing. This important commitment is supported by a number of policies and procedures, explained in the paragraphs below.

Global Confidentiality Policy

Protecting confidential information is ingrained in the everyday activities of EYG member firms. Respect for intellectual capital and all other sensitive and restricted information is required by the EY Global Code of Conduct, which provides a clear set of principles to guide the behaviours expected of all those who work with EY. The Global Confidentiality Policy further details this approach to protect information and reflect ever-changing restrictions on the use of data. This policy provides added clarity for those who work with EY member firms and forms the fundamental broader guidance that includes key policies on conflicts of interest, personal data privacy and records retention. Other guidance includes:

- ▶ Social media guidance
- ▶ Information-handling requirements

In addition, the global policy on reporting fraud, illegal acts and other noncompliance with laws and regulations, and EY Global Code of Conduct require EY professionals to speak up when observing behaviour that is believed to be a violation of a law or regulation, the applicable standard or EY Global Code of Conduct. This includes the unauthorised or improper disclosure of confidential information.

Data privacy

The EY global policy on personal data protection, revised and reissued in 2018, sets out the principles to be applied to the collection, use and protection of personal data, including that relating to current, past and prospective personnel, clients, suppliers and business associates. This policy is consistent with the strict requirements of the European Union's General Data Protection Regulation (GDPR), and other applicable laws and regulations concerning data protection and privacy. EY also has in place binding corporate rules approved by EU regulators to facilitate the movement of personal data within the global EY network. Furthermore, we have a policy to address our specific Malaysia data privacy requirements and business needs.

Document retention

EY global and related local policies on records and information retention and disposition apply to all engagements and personnel. These policies address document preservation whenever any person becomes aware of any actual or reasonably anticipated claim, litigation, investigation, subpoena or other government proceedings involving us or one of our clients that may relate to our work. It also addresses Malaysian legal requirements, applicable to the creation and maintenance of working papers, relevant to the work performed.

Global Personal Data Protection Policy

The global policy on personal data protection, which supports and builds upon provisions within the EY Global Code of Conduct, regarding respecting and protecting personal information, in accordance with applicable law, regulatory frameworks and professional standards. This has been updated to be consistent with the EU's GDPR and other local regulations across the globe.

Cybersecurity

Managing the risk of major and complex cyberattacks is a part of conducting business for all organisations. While no systems are immune from the threat of cyberattacks, EY PLT is vigilant in the steps it takes to secure and protect client data.

The EY approach to cybersecurity is proactive and includes the implementation of technologies and processes necessary to manage and minimise cybersecurity risks, globally.

EY information security and data privacy programmes, consistent with industry practices and applicable legal requirements, are designed to protect against unauthorised access to systems and data.

There is a dedicated team of cybersecurity professionals, who constantly monitor and defend EY systems.

Beyond technical and process controls, all EY people are required to annually affirm in writing their understanding of the principles contained in the EY Global Code of Conduct and their commitment to abide by them. There are also required security awareness learning activities. Various policies outline the due care that must be taken with technology and data, including, but not limited to, the Global Information Security Policy, and a global policy on the acceptable use of technology. EY cybersecurity policies and processes recognise the importance of timely communication.

EY people receive regular and periodic communications reminding them of their responsibilities outlined in these policies and of general security awareness practice.

Anti-bribery

The EY Global Anti-bribery Policy provides EY people with direction on certain unethical and illegal activities. It emphasises the obligation to comply with anti-bribery laws and provides a definition of what constitutes bribery. It also identifies reporting responsibilities when bribery is discovered. In recognition of the growing global impact of bribery and corruption, efforts have been sustained to continue to embed anti-bribery measures across EY.

Insider trading

Securities trading is governed by many laws and regulations, and EY personnel are obliged to comply with the applicable laws and regulations regarding insider trading. This means EY personnel are prohibited from trading in securities, while in possession of material, non-public information.

The EY Global Insider Trading Policy reaffirms the obligation of EY people not to trade in securities when in possession of insider information, provides details on what constitutes insider information, and identifies with whom EY people should consult if they have questions regarding their responsibilities.

Economic and trade sanctions

It is important that we are aware of the ever-changing situation with respect to international economic and trade sanctions. EY monitors sanctions issued in multiple geographies and provides guidance to EY people on impacted activities.

Risk management function

Risk Management (RM) coordinates organisation-wide activities designed to help EY people meet global and local compliance responsibilities and support client-facing teams in delivering quality and exceptional client service. Responsibility for high-quality service and ownership of the risks associated with quality is placed with the member firms and their service lines.

Among other things, the Global RM Leader helps monitor the identification and mitigation of these risks, as well as other risks across the organisation as part of the broader enterprise risk management (ERM) framework. The ERM priorities are communicated to member firms.

The Global RM Leader is responsible for establishing globally consistent risk management execution priorities and coordinating risk management across EY.

Member firm partners are appointed to lead risk management initiatives (supported by other staff and professionals), including coordinating with the service lines on such matters.



There have been additional complexities as the world continues to deal with the COVID-19 pandemic. This has required a coordinated response across EY via the activation of the local crisis management plans (CMPs) that reside in nearly all EY member firm offices. CMPs detail the specific actions to be taken to both protect the EY workforce and respond in the event of a COVID-19 infection within an EY workspace. However, while individual offices have had to deal with issues around contact tracing and safe workspace practices, there was a need to provide a set of uniform guidance across all EY Areas. Even before the World Health Organisation (WHO) declared the existence of a pandemic, the EY Global Crisis Management Programme (GCMP) was activated. The GCMP allowed the creation of a Steering Committee led by the Global RM Leader who convened the key Global and Area leadership daily for six months (and thereafter, regularly but less frequently) to address issues relevant to all geographies and service lines.

The Steering Committee issued regular guidance on EY COVID-19 response protocols and addressed issues related to travel, meetings and events as well as the adoption and promotion of best practices, and relayed specific safe working practices guidance from the WHO. Guidance is still being issued and risk factors are being monitored during the second year of the global pandemic.

In implementing the GCMP, the goal was to keep people safe and informed, manage confirmed cases, adjust the handling of travel and events, and enable a fully remote workforce and plan for recovery.

With a robust GCMP in place, we were able to act quickly to keep EY people safe – the top priority throughout the entire process. Throughout the pandemic, the GCMP team:

- ▶ Created guidance for various stages of the pandemic and developed a resource library on the Global Security SharePoint portal to serve as a centralised repository
- ▶ Maintained a daily list of high-risk locations and provided a consolidated daily report for each Area
- ▶ Produced a daily report for the leadership on the Global, Area, Region and local impacts

The GCMP also had a role in managing confirmed cases by:

- ▶ Developing pandemic checklists for local crisis management teams to manage confirmed cases in the workforce
- ▶ Conducting training on how to respond to confirmed cases, advice on travel, meetings and events, resulting in several global directives
- ▶ Identifying international travelers to help them return to their home countries safely

Now that the focus has shifted to a safe return to the office, the GCMP team has developed a recovery plan that includes:

- ▶ Leading the effort to develop return-to-work protocols and track the easing of government restrictions
- ▶ Creating a timeline for the reopening of offices
- ▶ Determining worksite leader responsibilities and procedures for building management, office setup, workspaces and meetings
- ▶ Establishing personal responsibilities including office entry, workspaces, breaks and meetings
- ▶ Developing a post-vaccine recovery plan



Audit teams: establishment and supervision



Formation of audit engagement teams

The assignment of professionals to an audit engagement is made under the direction of our Assurance leadership. Factors considered when assigning people to audit teams include engagement size and complexity; specialised industry knowledge and experience; timing of work; continuity; and opportunities for on-the-job training. For more complex engagements, consideration is given to whether specialised or additional expertise is needed to supplement or enhance the audit engagement team.

In many situations, internal specialists are assigned as part of the audit engagement team to assist in performing audit procedures and obtaining appropriate audit evidence. These professionals are used in situations requiring special skills or knowledge, such as tax, forensics, information systems, asset valuation and actuarial analysis.

When certain conditions exist, EY PLT's policies require the approval of the assignment of individuals to specific audit roles by our Assurance leadership and the Malaysia PPD. This is carried out, among other things, to make sure that the professionals leading the audits of listed entities and other public-interest entities possess the appropriate competencies (e.g., the knowledge, skills and abilities) to fulfill their engagement responsibilities and are in compliance with applicable auditor rotation regulations.

Reviews of audit work

EY policies describe the requirements for timely and direct senior professional participation, as well as the level of review required for the work performed. Supervisory members of an audit engagement team perform a detailed review of the audit documentation for technical accuracy and completeness. Senior audit executives and engagement partners perform a second-level review to determine the adequacy of the audit work as a whole and the related accounting and financial statement presentation. Where appropriate, and based on risk, a tax professional reviews the significant tax and other relevant working papers. For listed and certain other companies, an engagement quality reviewer (described below) reviews important areas of accounting, financial reporting and audit execution, as well as the financial statements of the audited company and the auditors' report.

The nature, timing and extent of the reviews of audit work depend on many factors, including:

- ▶ Risk, materiality, subjectivity and complexity of the subject matter
- ▶ Ability and experience of audit team members preparing the audit documentation
- ▶ Level of the reviewer's direct participation in the audit work
- ▶ Extent of consultation employed

EY policies also describe the roles and responsibilities of each audit engagement team member for managing, directing and supervising the audit, as well as the requirements for documenting their work and conclusions.

Engagement quality reviews

EY engagement quality review policies address audit and assurance engagements. Engagement quality reviewers are experienced professionals with significant subject-matter knowledge. They are independent of the engagement team and provide an objective evaluation of the significant judgments the engagement team made, and the conclusions reached in formulating the auditors' report. The performance of an engagement quality review, however, does not reduce the responsibilities of the partner in charge of the engagement for the engagement and its performance. In no circumstances may the responsibility of the engagement quality reviewer be delegated to another individual.

The engagement quality review spans the entire engagement cycle, including planning, risk assessment, audit strategy and execution.

Policies and procedures for the performance and documentation of engagement quality reviews provide specific guidelines on the nature, timing and extent of the procedures to be performed, and the required documentation evidencing their completion. In all circumstances, the engagement quality review is completed before the date of the auditors' or assurance report.

Engagement quality reviews are performed by audit partners in compliance with professional standards for the audits of all listed companies, certain public-interest entities and those considered to need close monitoring. The Malaysia Assurance Managing Partner and Malaysia PPD approve all required audit engagement quality review assignments.



5.0

Environmental,
social and
governance
reporting

Environmental, social and governance (ESG) reporting

We believe the audit profession is best placed to provide ESG assurance given our independence in accordance with robust independence standards, an understanding of the companies' systems of internal controls, risks and processes.

EY member firms provide assurance services on a wide range of ESG-related information. The EY Sustainability Assurance Methodology (EY SAM) is a global framework for the application of a consistent approach to all assurance engagements on ESG and sustainability information. EY SAM provides for the delivery of high-quality assurance services through the consistent application of thought processes, judgements, and procedures in all engagements regardless of the level of assurance required. EY SAM is also adaptable to the nature of both the ESG reporting, and the criteria applied by the client in producing that report.

The methodology emphasises applying appropriate professional scepticism in the execution of procedures inclusive of the changing landscape in ESG reporting and criteria. EY SAM is based on the International Standards on Assurance Engagements and supplemented in EY PLT to comply with local assurance standards and regulatory or statutory requirements.

As part of our obligation for high-quality assurance services related to ESG reporting, EY has developed guidance, training and monitoring programmes, and processes used by member firm professionals to execute such services consistently and effectively. Guidance has also been developed for audit engagement teams to assess the impact of climate-risk on financial reporting under International Financial Reporting Standards (IFRS) or other financial reporting frameworks. The Global, Area and Regional PPDs, EY quality functions and IFRS desks, together with other professionals who work with teams in each member firm, are knowledgeable about EY people, clients and processes, and are readily accessible to support ESG assurance engagement teams.

EY provides input to a number of public and private initiatives to improve the quality, comparability and consistency of ESG reporting, including climate-risk. These activities take place at a global, regional and national level. Examples include drafting ESG metrics and ESG reporting proposals for the Embankment Project on Inclusive Capitalism (EPIC) and the World Economic Forum's International Business Council (WEF-IBC). EY also makes resources available to standard-setters in the area of sustainability reporting.





6.0

Appendix: List of PLC audit clients

List of PLC audit clients

In the fiscal year that ended on 30 June 2021, EY PLT performed audits of the following 114 PLCs in Malaysia:

(1/2)

1. 7-Eleven Malaysia Holdings Berhad
2. AirAsia Group Berhad
3. AirAsia X Berhad
4. Ajinomoto (Malaysia) Berhad
5. AMMB Holdings Berhad
6. Amway (Malaysia) Holdings Berhad
7. Apex Healthcare Berhad
8. Asian Pac Holdings Berhad
9. Atlan Holdings Bhd.
10. Berjaya Corporation Berhad
11. Berjaya Food Berhad
12. Berjaya Land Berhad
13. Berjaya Sports Toto Berhad
14. Bermaz Auto Berhad
15. Bintulu Port Holdings Berhad
16. Boustead Heavy Industries Corporation Bhd
17. Boustead Holdings Berhad
18. Boustead Plantations Berhad
19. Bursa Malaysia Berhad
20. Cahya Mata Sarawak Berhad
21. Chin Teck Plantations Berhad
22. CJ Century Logistics Holdings Berhad
23. Concrete Engineering Products Berhad
24. Digi.Com Berhad
25. DKLS Industries Bhd
26. DKSH Holdings (Malaysia) Berhad
27. DRB-Hicom Berhad
28. Dutaland Berhad
29. E.A. Technique (M) Berhad
30. Eastern & Oriental Berhad
31. Eksons Corporation Berhad*
32. Encorp Berhad
33. Fima Corporation Berhad
34. Gamuda Berhad
35. Golden Pharos Berhad
36. Guocoland (Malaysia) Berhad
37. Hap Seng Consolidated Berhad
38. Harbour-Link Group Berhad
39. Hup Seng Industries Berhad
40. Ibraco Berhad
41. Innoprise Plantations Berhad
42. Iskandar Waterfront City Berhad
43. Jaya Tiasa Holdings Bhd
44. JCY International Berhad
45. Keck Seng (Malaysia) Berhad
46. Kenanga Investment Bank Berhad
47. KESM Industries Berhad
48. Kia Lim Berhad
49. Kim Hin Industry Berhad
50. Kim Loong Resources Berhad
51. Kimlun Corporation Berhad
52. KKB Engineering Berhad
53. KLCC Property Holdings Berhad
54. Kluang Rubber Company (Malaya) Berhad
55. KPJ Healthcare Berhad
56. Kretam Holdings Berhad
57. Kuchai Development Berhad
58. Kumpulan Fima Berhad
59. Latitude Tree Holdings Berhad
60. Lingkaran Trans Kota Holdings Berhad
61. LTKM Berhad
62. Lysaght Galvanized Steel Berhad
63. Magnum Berhad
64. Malayan Banking Berhad
65. Malaysia Airports Holdings Berhad
66. Malaysia Marine & Heavy Engineering Holdings Berhad
67. Malaysia Smelting Corporation Berhad
68. Malaysian Bulk Carriers Berhad
69. Manulife Holdings Berhad
70. MCT Berhad
71. MISC Berhad
72. MNRB Holdings Berhad
73. MPH Capital Berhad
74. Nationwide Express Holdings Berhad
75. Negri Sembilan Oil Palms Berhad
76. Nestlé (Malaysia) Berhad

*Not seeking reappointment

List of PLC audit clients

In the fiscal year that ended on 30 June 2021, EY PLT performed audits of the following 114 PLCs in Malaysia:

(2/2)

- 
- 77. NPC Resources Berhad*
 - 78. NTPM Holdings Berhad
 - 79. Olympia Industries Berhad
 - 80. OSK Ventures International Berhad
 - 81. Pacific & Orient Berhad
 - 82. Paramount Corporation Berhad
 - 83. PPB Group Berhad
 - 84. Progressive Impact Corporation Berhad
 - 85. Public Bank Berhad
 - 86. Quality Concrete Holdings Berhad
 - 87. REDtone Digital Berhad
 - 88. S P Setia Berhad
 - 89. Sapura Energy Berhad
 - 90. Sapura Industrial Berhad
 - 91. Sapura Resources Berhad
 - 92. Sarawak Cable Berhad
 - 93. SEG International Bhd.
 - 94. SKP Resources Bhd
 - 95. Sungei Bagan Rubber Company (Malaya) Berhad
 - 96. Suria Capital Holdings Berhad
 - 97. Symphony Life Berhad
 - 98. TDM Berhad
 - 99. Teck Guan Perdana Berhad
 - 100. Telekom Malaysia Berhad
 - 101. Tien Wah Press Holdings Berhad
 - 102. TMC Life Sciences Berhad
 - 103. Top Glove Corporation Bhd
 - 104. Tropicana Corporation Berhad
 - 105. Tune Protect Group Berhad
 - 106. Turbo-Mech Berhad
 - 107. UEM Edgenta Berhad
 - 108. UEM Sunrise Berhad
 - 109. UMW Holdings Berhad
 - 110. United Malacca Berhad
 - 111. United Plantations Berhad
 - 112. Velesto Energy Berhad
 - 113. WCT Holdings Berhad
 - 114. WMG Holdings Bhd.

*Not seeking reappointment

Glossary

AAA	Assurance Advanced Academy
AI	Artificial Intelligence
AOB	Securities Commission Malaysia's Audit Oversight Board
AQB	Audit Quality Board
AQIs	Audit Quality Indicators
AQR	Audit Quality Review
BRET	Business Relationship Evaluation Tool
CEO	Chief Executive Officer
CMP	Crisis management plans
CPE	Continuing Professional Education
CRGC	Corporate Responsibility Governance Council
D&I	Diversity and inclusiveness
EMEIA	Europe, Middle-East, India and Africa
EPIC	Embankment Project on Inclusive Capitalism
ERM	Enterprise risk management
ESG	Environmental, social and governance
EY	The EY organization
EY GAM	EY Global Audit Methodology
EY PLT	Ernst & Young PLT
EY SAM	EY Sustainability Assurance Methodology
EYG	Ernst & Young Global Limited
FSO	Financial Services Organisation
FY	Financial year
GAAP	Generally Accepted Accounting Principles
GAM	Global Audit Methodology
GAQC	Global Audit Quality Committee
GCMP	Global Crisis Management Programme
GDPR	General Data Protection Regulation
GE	Global Executive
GGC	Global Governance Council
GIS	Global Independence System
GMS	Global Monitoring System
GSET	Global Social Equity Task Force

HR	Human resource
IAASB	International Auditing and Assurance Standards Board
IESBA	International Ethics Standards Board for Accountants
IFIAR	International Forum of Independent Audit Regulators
IFRS	International Financial Reporting Standards
INEs	Independent Non-Executives
ISAs	International Standards on Auditing
ISQC 1	International Standard on Quality Control 1
ISQM 1	International Standard on Quality Management 1
LEAD	Leadership Evaluation and Development
MIA	Malaysian Institute of Accountants
PACE	Process for Acceptance of Clients and Engagements
PIC	Public Interest Sub-Committee
PIE	Public interest entity
PLC	Public listed company
PPAs	Power Purchase Agreements
PPD	Professional Practice Director
PPEDDs	Partners, principals, executive directors and directors
Project D	Project: Digital
Project S	Project: Sharpening focus on risk
QEL	Quality Enablement Leader
RM	Risk Management
RPA	Robotic process automation
RPF	Regional Partner Forum
SAQ	Sustainable Audit Quality
SC	Securities Commission Malaysia
SDGs	Sustainable Development Goals
SEC	U.S. Securities and Exchange Commission
SORT	Service Offering Reference Tool
SQM	System of quality management
UNGC	United Nations Global Compact
WEF-IBC	World Economic Forum's International Business Council
WHO	World Health Organisation

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