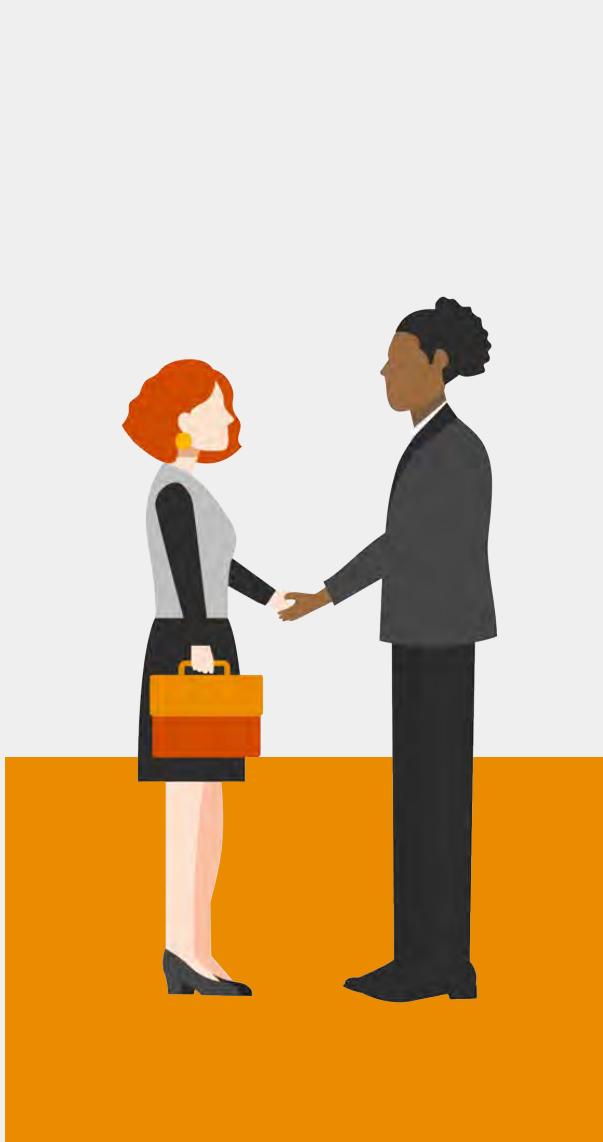


# PwC Malaysia Transparency Report

2021



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PwC Network



# Message from leadership

## Welcome to our 2021 Transparency Report

At PwC, our purpose is to build trust in society and solve important problems.

In Malaysia, we are supportive of the collective effort of corporate entities and regulators to build trust and transparency. The initiative of the Audit Oversight Board to enhance transparency and audit quality generally, is to be lauded. In this respect, I am pleased to launch our inaugural Transparency Report in line with the expectations of the market and regulators.

Our Transparency Report provides insights into how the Firm puts audit quality at the heart of everything we do in our Assurance Practice. It not only spells out our audit methodology but also describes what we do in maintaining the right culture, equipping our people with the right training and investing in cutting edge audit tools - in our quest to maintain audit quality. Particular for this year, focus is also on how we redefine our strategy given the pressures and challenges our clients are facing as the COVID-19 pandemic rages.

Since early 2020, the pandemic has continued to impact businesses, societies and the well-being of people in an unprecedented manner. Our profession has not been spared and we have had to adapt and respond to these unique circumstances.

On the audit strategy aspect, we have quickly taken steps to manage the audit challenges by ensuring all our teams receive real time guidance to address emerging audit risks resulting from the COVID-19 impact.

We have also facilitated discussions with audit committee members and prepared them for the complex challenges of this crisis and pulled together the main themes and insights from these conversations into thought leadership publications.

On the logistics side, we were able to leverage on our technology infrastructure and enable a seamless transition to a virtual audit environment. We were able to provide our people with the tools and technology needed to deliver quality service to our clients while working safely.

In addition, we also took the opportunity to invest in upskilling our people, especially in digital skills with our New World New Skills program globally; and professional development via virtual training and on-demand elearning. In summary, the pandemic has allowed us to accelerate the digitalisation of our audit process.

### Looking ahead

In June 2021, we unveiled The New Equation, our global strategy which responds to fundamental changes in the world. We believe that there are a lot of opportunities to assist Corporate Malaysia to build trust and transform themselves to meet the demands of a different environment and a more complex set of stakeholders.

These will all impact the organisations that we audit: the risks they face, the results they report and the disclosures they make.

In this respect, our New Equation focuses heavily on the need to build trust and sustainable outcomes to address the challenges above.

We remain strongly committed to play our part to enhance the trust environment in Corporate Malaysia and continue to deliver high-quality audits for our clients.



**Soo Hoo Khoon Yean**  
Managing Partner



# Message from leadership

## A message from our Assurance Leader

As I reflect on my first year as the Assurance Leader, it was challenging due to the unprecedented impact of COVID-19.

I remembered the early days when the pandemic first took hold in Malaysia. I had countless late-night discussions with my leadership team on how to ensure the safety of our people and at the same time, continue to serve our clients and meet the various deadlines.

I am glad that with our continuous investments in technology, the support of our clients and the hard work and commitment of my fellow colleagues and partners, we successfully delivered our work without compromising on audit quality.

Our people are the key success factor for us to execute our audits well. Hence, various people initiatives were launched to care for their physical safety, health and mental well-being.

These initiatives include a corporate vaccination programme, vaccination leave, #PwCWellbeing health-themed webinars and virtual workout sessions organised by the Kelab Sukan PwC.

As we defaulted to a Work-From-Home arrangement during the pandemic, the movements of our people to the office and clients' premises were closely monitored to ensure their well-being and safety and at the same time, minimising disruptions to the audit process.

We focused our transformation initiatives on cultural and behavioural aspects to enhance audit quality, for example through preparer-led discussions where audit team members were more actively engaged during regular virtual "take stock" meetings and instill discipline in daily documentation of work.

Our people also adapted to learning remotely and we continue to modify our working practices and develop digital tools to perform the audits effectively and efficiently in the new normal.

We identified areas of focus for companies which were significantly impacted by the COVID-19 pandemic. Additional guidance was developed and thematic reviews were carried out on identified audit risk areas. Support was provided to engagement teams in certain cases, for example in virtual inventory counts which utilised technology and the assistance of other personnel.

As we continue on our journey of building trust and transparency, we are pleased to present our first Transparency Report.

The first part of our Transparency Report contains key statistics and results of our quality monitoring programs and reviews. The second part describes our audit quality policies, processes, system of quality management and how we foster a culture of quality at every level of the Firm.

We are committed to invest in new tools and technology, risk and quality processes, and the learning and development for our people which I believe will lead to enhanced audit quality.



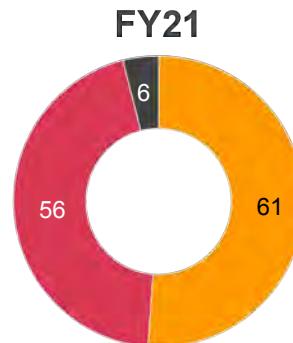
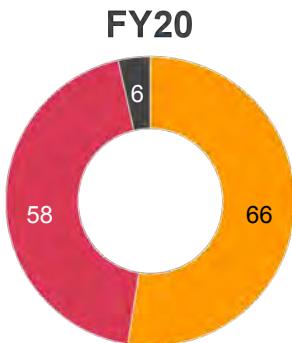
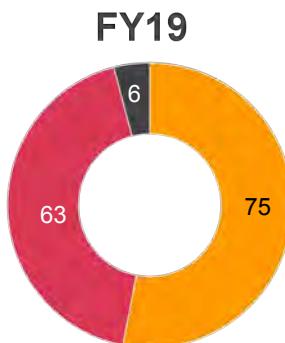
**Ong Ching Chuan**  
Assurance Leader



## Key Statistics

# Audit partner workload

Ratio of average number of engagements per Partner\*



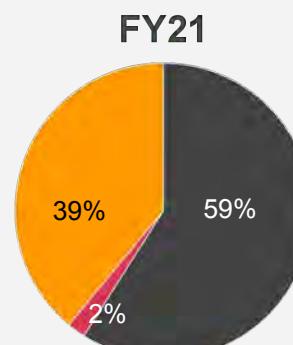
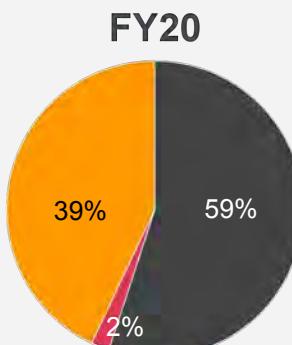
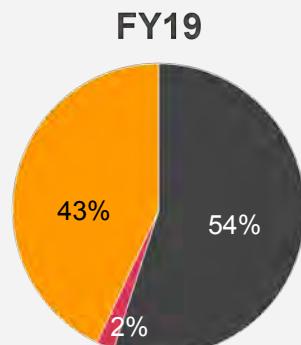
■ PIEs  
■ Entities related to PIEs  
■ Non-PIEs

■ PIEs  
■ Entities related to PIEs  
■ Non-PIEs

■ PIEs  
■ Entities related to PIEs  
■ Non-PIEs

The average number of Public Interest Entities (PIEs) and related engagements per partner reduced from 69 to 62 in the last 3 years. The average number of non PIEs also reduced from 75 to 61 in the same period. This has enabled partners to maintain focus on their portfolio.

Average portfolio audit fees per Partner\*



■ PIEs  
■ Schedule funds  
■ Non-PIEs

■ PIEs  
■ Schedule funds  
■ Non-PIEs

■ PIEs  
■ Schedule funds  
■ Non-PIEs

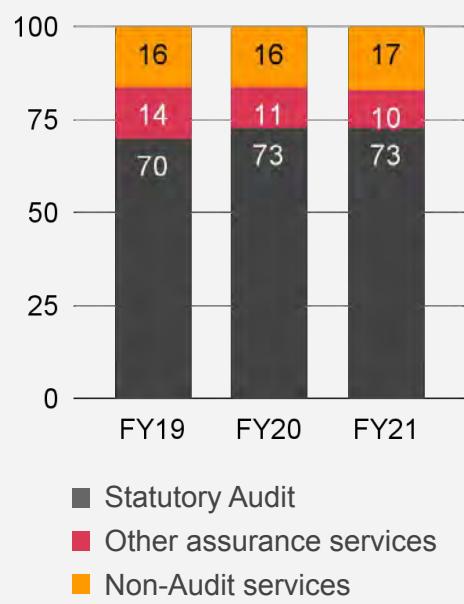
The breakdown of fees has remained fairly consistent over the last 3 years.

\* Partner auditing PIE engagements

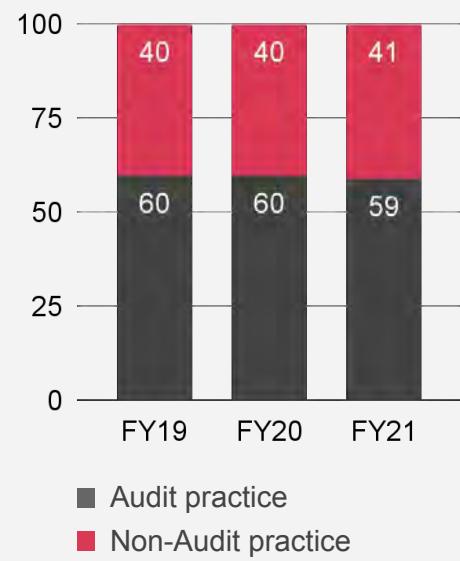
# Auditor independence

Breakdown of audit fees from audit clients and fee income from audit practice and non-audit practice

Proportion of fee income from audit clients %



Proportion of total fee income %



The non-statutory audit fees derived from the audit clients remain low, relative to the statutory audit fees.



# Capacity and competence

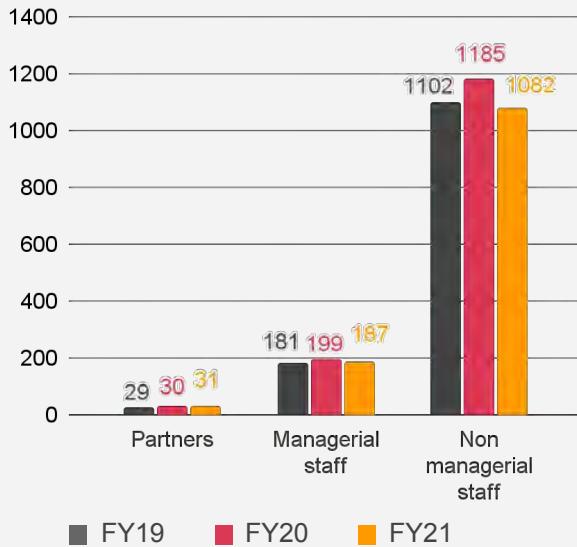
## Staff turnover rates (%)



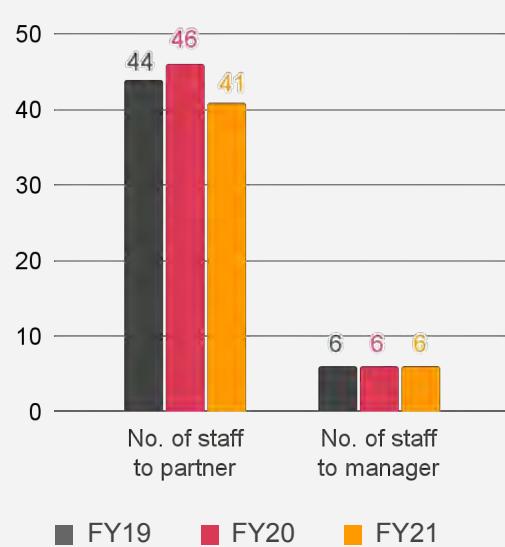
Staff turnover dropped in FY20 due to the impact of COVID-19 and increased to a normal sustainable level in FY21 with the recovering Global economy and reopening of overseas travel.

## Audit staff headcount

### Staff strength



### Staff to partner/manager ratios



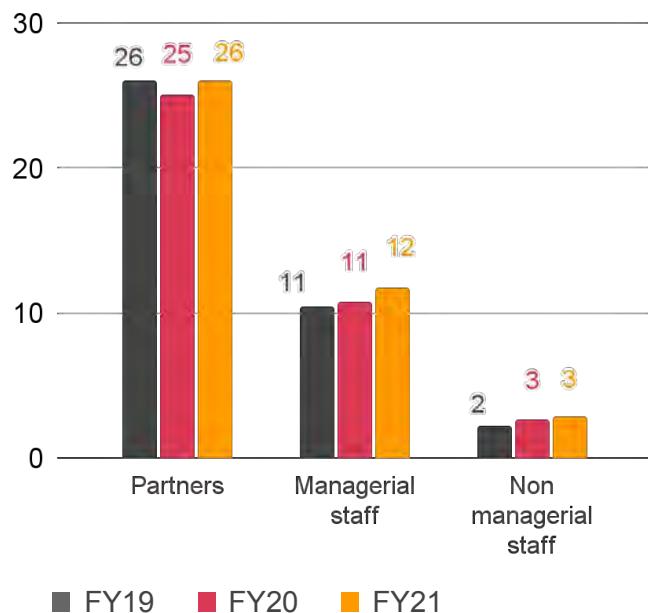
The downward trend in the staff to partner ratio and the large size of our average PIE engagements allows us to maintain appropriate managerial supervision of our audit teams.

Our staff strength does not include 122 professionals in FY21 (114 in FY20 and 113 in FY19) who perform IT audits and conduct financial valuation analysis as part of the overall audit procedures. Their role is critical to audit quality in view of many entities digitalising their operations.

# Capacity and competence

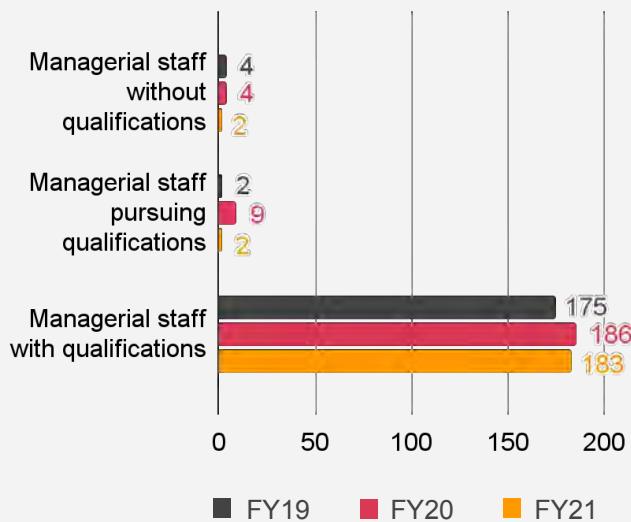
## Average number of years of experience

### Number of years of experience

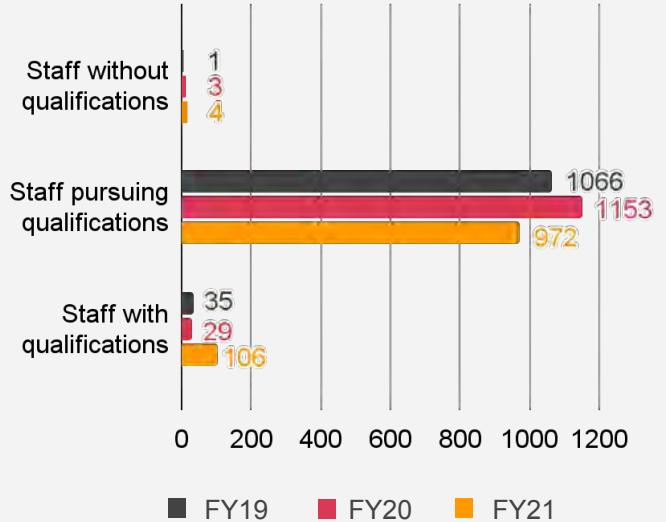


## Professional accounting qualifications

### Managerial staff



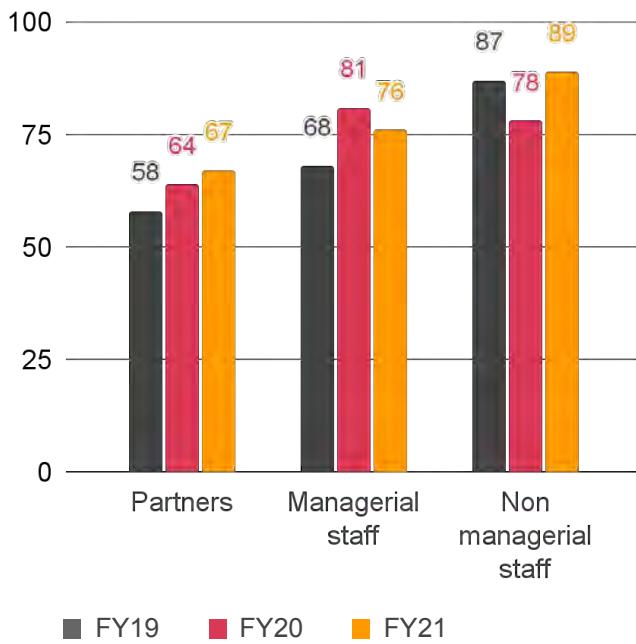
### Non-managerial staff



We encourage and provide support to our staff to obtain professional qualifications

# Investment in audit quality

Average number of hours of training



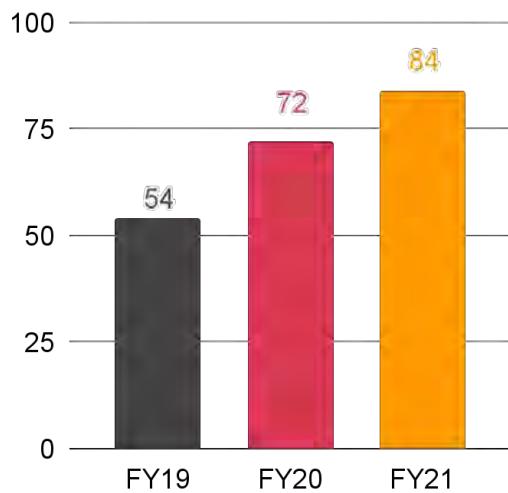
We continue to upskill our people during the COVID-19 pandemic through virtual training and on-demand elearning.



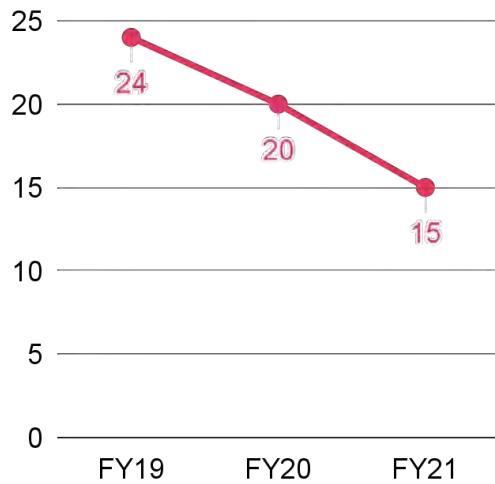
# Investment in audit quality

## Staff in a Quality Control (QC) role

Headcount in a QC role



Average staff to QC headcount



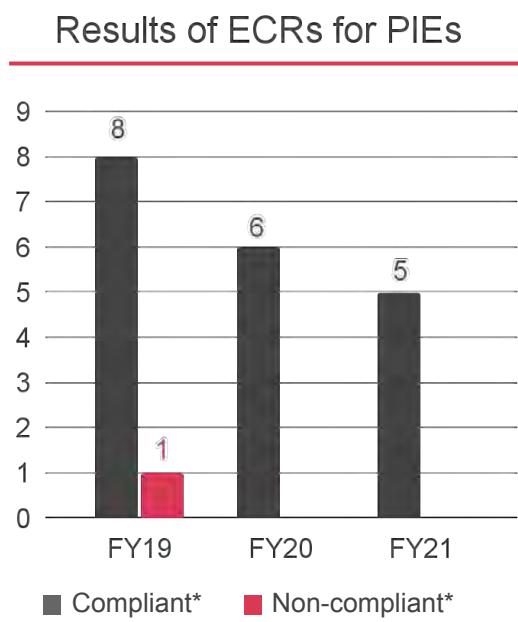
We continue to invest in our quality control infrastructure to provide technical support for our audit engagement teams to enhance audit quality. In FY21 there are 73 full time QC staff. 19 staff support audit teams only and 54 staff support audit teams and other lines of service. The remaining 11 staff have other roles outside their QC role. The various QC functions are as follows:

QC component team	Led by	Support provided to audit teams
Risk, Independence, Solutions and Quality (RISQ)	Tan Siow Ming	Risk Management
Academy	Jennifer Chang	Training and professional development
Capital Markets and Accounting Advisory Services (CMAAS)	Siew Kar Wai	Technical accounting matters
Methods	Subathra Ganesan	Technical auditing matters
Business Transformation	Lim Huck Khiam	Audit transformation, culture change and use of tools and technology
ISA Reporting	Tan Eng Hong	Matters relating to reports issued by audit teams including Key Audit Matters

# Monitoring reviews

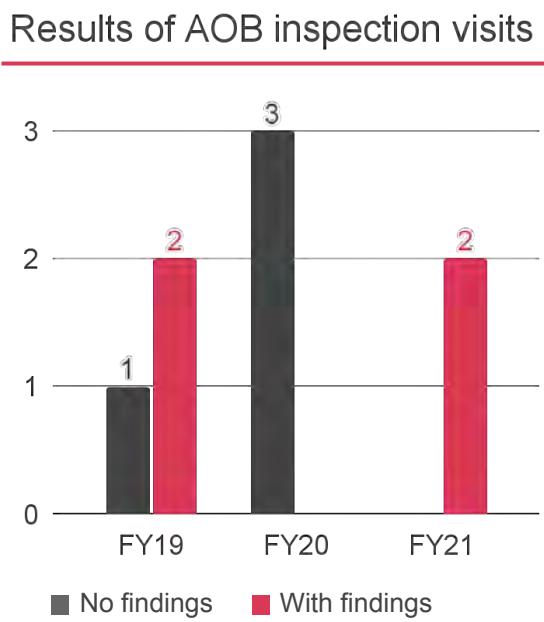
## Engagement monitoring reviews

Results of internal Engagement Compliance Reviews (ECRs) conducted by independent teams of experienced professionals from other PwC Member Firms



\*A description of these terms can be found on [page 41](#).

External reviews of audit engagements of Public Interest Entities conducted by the Audit Oversight Board (AOB) during their annual inspection visits



None of the results/findings of the ECRs or the AOB inspections required any modifications to audit opinions or restatements of financial statements. We learn from these reviews and take corrective actions to further improve our audit quality to avoid similar findings in future audits.

## Firm monitoring reviews

Our Internal Quality Management Reviews (QMRs) are similarly conducted annually on our system of quality management by independent teams of experienced professionals from other PwC Member Firms. There have been no significant quality management findings and we are in the process of remediating findings on two quality management findings in the current financial year.

The AOB's firm level finding in the previous financial year that was earlier identified and disclosed by ourselves through our quality management testing relating to rotation of personnel has been fully remediated.



## Our quality improvement programmes

At PwC, we are invested in continuously improving our audit quality through the design and operation of an effective system of quality management. This includes a focus on the following key areas:

- Continuing to strengthen our quality culture to support our partners and teams display behaviours consistent with driving audit quality
- Integration of the use of Assurance Quality Indicators (AQIs) to aim to **predict** quality, Real Time Assurance (RTA) to aim to **prevent** quality issues, Root Cause analysis to **learn** from quality issues and a Recognition and Accountability Framework to **reinforce** quality behaviours, cultures, and actions

- Increasing our focus on ongoing and real-time quality monitoring including the use of RTA and AQIs

In addition, we continue to engage with our stakeholders to have:

- Public discussions on the future of audit, exploring how it needs to change to meet society's evolving expectations
- Real time engagement around the impact of COVID-19 on audit compliance [\(discussed in more detail on page 18\)](#)



“We remain strongly committed to play our part to enhance the trust environment in Corporate Malaysia and will continue to deliver high-quality audits for our clients.”

Soo Hoo Khoon Yean

Managing Partner  
PwC Malaysia



# Our approach to Quality



# Our approach to delivering quality services across all our operations and network



## Focus on Quality

The quality of our work is at the heart of our organisation and we invest significant and increasing resources in its continuous enhancement across all of our businesses. This investment is targeted into many different areas, including technical, ethical and behavioural training, audit methodologies, adding resources in key areas and exploring new ways of delivering our work. Each investment reflects a common determination to understand the factors that drive quality and identify opportunities for enhancement.

We are also investing heavily in new technology ([discussed below on page 36](#)) to drive continuous improvement in the capabilities and effectiveness of all of our services.

We are proud to have been the first of the global professional services network to have published its internal audit quality inspection results. It is very important that we are transparent about both the efforts that we are making to enhance quality, and also the results and the impact that these efforts are having. The publication of this data by our Network over the last few years, along with public discourse on the subject of the audit, has quite rightly put an increasing focus on the issue of audit quality, which we discuss in detail in this report.

## Definition and culture

At PwC, we define quality service as one that consistently meets the expectations of our stakeholders and which complies with all applicable standards and policies. An important part of delivering against this quality definition is building a culture across a network of 295,371 people that emphasises that quality is the responsibility of everyone, including our 2,853 people. Continuing to enhance this culture of quality is a significant area of focus for our global and local leadership teams and one which plays a key part in the measurement of their performance.

## Measurement and transparency

For all our businesses, each PwC firm – as part of the agreement by which they are members of the PwC Network – is required to have in place a rigorous system of quality management (SoQM); to annually complete a SoQM performance assessment; and to communicate the results of these assessments to global leadership. These results are then discussed in detail with the leadership of each local firm and if they are not at the level expected, a remediation plan is agreed with local leadership taking personal responsibility for its successful implementation.

As our services change and develop, and the needs and expectations of our stakeholders also change, we are continually reviewing and updating the scale, scope and operations of our system of quality management and investing in programmes to enhance the quality of the services that we provide.



# Specific focus on audit quality

## Specific focus on audit quality

Delivering quality audits is core to our purpose. To that end, we are committed to providing a quality audit. However, where our work falls below the standards that we set for ourselves and are set by the regulators, we are disappointed and also criticised. We take each of these instances very seriously and work hard to learn lessons and to enhance the quality of audits that we undertake in the future.

## The right objectives and capabilities

To help us put this strategy into effect, the PwC Network has established clear objectives around audit quality and provides support to help us meet these objectives. Our engagement teams can only deliver quality audit services if they have access to the necessary capabilities – both in terms of people and technology. That's why our quality objectives focus on having the right capabilities – both at a member firm level and across our Network – and on using these capabilities to meet our own standards and the professional requirements. These capabilities can only be developed under the right leadership and quality culture, promoting the right values and behaviours.

## Integrated and aligned in the right way

The quality objectives focus on having the right people supported by effective methodologies, processes and technology appropriately directed and supervised. These represent the capabilities that we believe are relevant to achieving and sustaining audit quality. To help us achieve these objectives, there are a number of dedicated functions at a network level that develop practical tools, guidance and systems to support and monitor audit quality across our Network. These elements have been integrated and aligned by our Network to create a comprehensive, holistic and interconnected quality management framework that we tailor to reflect our individual circumstances.

## Delivering a quality end-product consistently

Central to the framework is the recognition that quality management is not a separate concept; it needs to be embedded in everything we do as individuals, teams, firms and the Network. The quality objectives are supported by designated key activities which are considered necessary to achieve the quality objectives, focused mainly on building a quality infrastructure and organisation. We supplement and design those key activities as appropriate to respond to risks we have identified to achieving each quality objective.

## Values and judgments

Performing quality audits requires more than just the right processes. At its core, an auditor's role is to assess with a "reasonable" degree of assurance whether the financial statements prepared by the company's management are free of "material misstatements" – reaching a professional judgment on whether the financial statements present a fair picture of the company's financial performance and position. To carry out this assessment effectively, the auditor needs to use all the capabilities that have been built up in line with our quality objectives. These include applying ethical behaviour in accordance with PwC's values, professional scepticism, specialist skills and judgment – all supported by technology.

## Firmwide initiatives

To bring this all together we have completed one year of our on-going journey to transform our culture to enhance our audit quality. These initiatives centre around setting aside and spending sufficient time planning the audit, supervising the execution of the audit plan and dedicating time every day in a "documentation hour" to document the work that had been performed earlier in the day.

Preparers of work demonstrate their understanding of work performed by actively leading the discussions with reviewers instead of waiting for review comments without discussions, with the objective of having timely documentation that records the work done including the professional scepticism, judgment and key decisions supporting the final audit opinion.



# Delivering audit quality during the COVID-19 pandemic

## Our response to COVID-19

This year, the global COVID-19 pandemic has had an unprecedented impact on our clients and our people, over the last year and a half, as well as global and local economies and broader society.

At PwC, in addition to continuing to safeguard the health, safety and well-being of our people, we have remained focused on working together as a Network, with our clients and other stakeholders to continue to deliver audit quality.

## Sharing developments and experience

From the early stages of the pandemic, the PwC Network put a team in place to monitor developments globally and to highlight areas of critical importance to ensure we did not compromise on audit quality. We have leveraged the guidance developed by our Network to provide consistent leadership and guidance on audit quality and equip our teams to consider their client's unique circumstances and respond accordingly.

Our Network response was comprehensive. It covered all aspects of audit quality, including regulatory and standard setting updates, auditor reporting, methodology, accounting and learning and education. Using the Network guidance as a starting point, we considered changes needed to our existing policies and procedures as well as what needed to be reinforced through regular communications to our staff and partners.



## Identifying and addressing risks related to COVID-19

The COVID-19 pandemic resulted in us facing a number of new challenges in our audits. This ranged from how we operate as a team to plan and complete the audit, to how we interact with our clients to obtain the necessary audit evidence and execute specific audit procedures such as observing physical inventory counts.

The foundation we have built for our system of quality management helped us navigate some of our biggest challenges as a result of the pandemic. We were able to monitor the actions we took to address identified risks and assess whether changes needed to be made on a real time basis. We used the experience and examples shared with us from across the Network to support our assessment of the issues that had the potential to impact our system of quality management.

We formed task forces to coordinate the operational and support functions to keep our people safe and for smooth business continuity, and to localise Network guidance and develop additional guidance on accounting and auditing issues stemming from COVID-19. We encouraged engagement teams to more regularly consult with our technical specialists within our Firm. We also enhanced the RTA programmes to assist selected engagement teams in potentially challenging areas of their audits to respond to the risks we identified.

## Using technology to support our teams

Our teams transitioned quickly and seamlessly to working remotely. Our Network audit technology infrastructure and tools including our Connect Suite and collaboration through Google ([see page 36 for how we use technology tools in our audits](#)), which have been in place for a number of years, enabled our people to continue to carry out their work despite the significant change in our physical work environment. For example, the use of Google Meet allowed even the largest engagement teams to have regular catch up meetings with video of team members and shared screens to discuss solutions regardless of their physical location. 75% of our audit staff surveyed felt that they were able to work together effectively in a virtual environment.

We continue to monitor and respond to the ongoing impacts of the pandemic on our people and clients including the implications of changing or easing restrictions.



# Cultures and Values



# Cultures and values

## Leadership and tone at the top

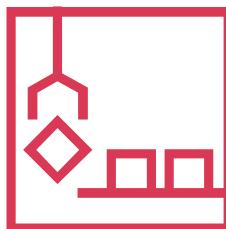
Our purpose and values are the foundation of our success. Our purpose is to build trust in society and solve important problems, and our values help us deliver on that purpose. Our purpose reflects 'why' we do what we do, and our strategy provides us with the 'what' we do. 'How' we deliver our purpose and strategy is driven by our culture, values and behaviours. This forms the foundation of our system of quality management and permeates how we operate, including guiding our leadership actions, and how we build trust in how we do business, with each other and in our communities.

When working with our clients and our colleagues to build trust in society and solve important problems, we:

Act with integrity



Make a difference



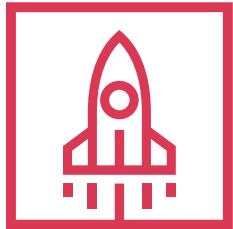
Care



Work together



Reimagine the possible



Key messages are communicated to our Firm by our Managing Partner and our leadership team and are reinforced by engagement partners. These communications focus on what we do well and actions we can take to make enhancements. We track whether our people believe that our leaders' messaging conveys the importance of quality to the success of our Firm. Based on this tracking, we are confident our people understand our audit quality objectives.



# The Quality Management Process

Delivering service of the highest quality is core to our purpose and our assurance strategy, the focus of which is to strengthen trust and transparency in our clients, in the capital markets and wider society.

To help PwC Malaysia put this strategy into effect, the PwC Network has established the Quality Management for Service Excellence (QMSE) framework for quality management which integrates quality management into business processes and the firm-wide risk management process. The QMSE framework introduces an overall quality objective for the Assurance practice focused on having the people and processes to deliver services in an effective and efficient manner that meets the expectations of our clients and other stakeholders.

This overall quality objective is supported by a series of underlying quality management objectives and our SoQM must be designed and operated so that these objectives are achieved with reasonable assurance. The achievement of these objectives is supported by a **quality management process** established by our Firm and Assurance leadership, business process owners, and partners and staff.

This involves the integrated use of AQIs to aim to **predict** quality issues, RTA to aim to **prevent** quality issues, Root Cause Analysis to **learn** from quality issues and a Recognition and Accountability Framework to **reinforce** quality behaviours, culture and actions.

These programs, by design, require ongoing monitoring and continuous improvement, in particular AQIs, which we expect will evolve significantly over time and as we continue to use and learn from these measures.

This quality management process includes:

- identifying risks to achieving the quality objectives
- designing and implementing responses to the assessed quality risks
- monitoring the design and operating effectiveness of the policies and procedures through the use of process-integrated monitoring activities such as real-time assurance as well as appropriate Assurance quality indicators
- continuously improving the system of quality management when areas for improvement are identified by performing root cause analyses and implementing remedial actions and
- establishing a quality-related recognition and accountability framework to be used in appraisals, remuneration, and career progression decisions

## **Aim to Predict: Assurance Quality Indicators**

We have identified a set of AQIs that support our Assurance leadership team in the early identification of potential risks to quality, using metrics to aim to predict quality issues. This quality risk analysis is an essential part of our QMSE, and the AQIs, in addition to other performance measures, also provide a key tool in the ongoing monitoring and continuous improvement of our SoQM.

Information on AQIs specific to individual partners and their engagement teams are communicated to partners quarterly to enable them to monitor proactively and take any necessary corrective actions.



## Aim to Prevent: Real Time Assurance

We have developed a RTA program designed to provide preventative monitoring that helps coach and support engagement teams get the 'right work' completed in real-time, during the audit.

All partners have an audit engagement selected for review at least once every three years in the RTA program. Audit engagements with different year ends and complexity are selected. The RTA program is performed by experienced reviewers to provide additional coaching to engagement teams and identify shareable practices throughout the practice.

## Learn: Root cause analysis

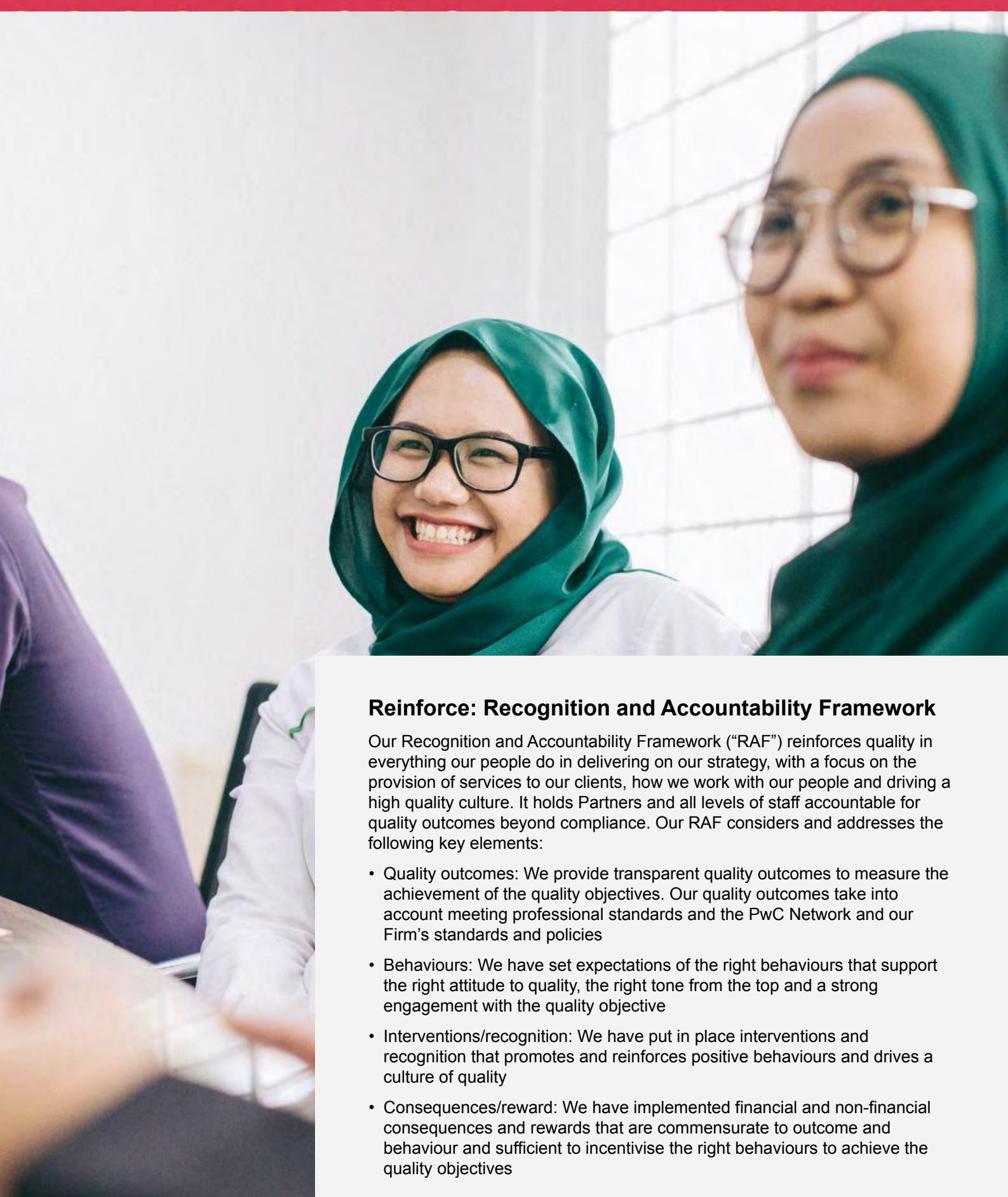
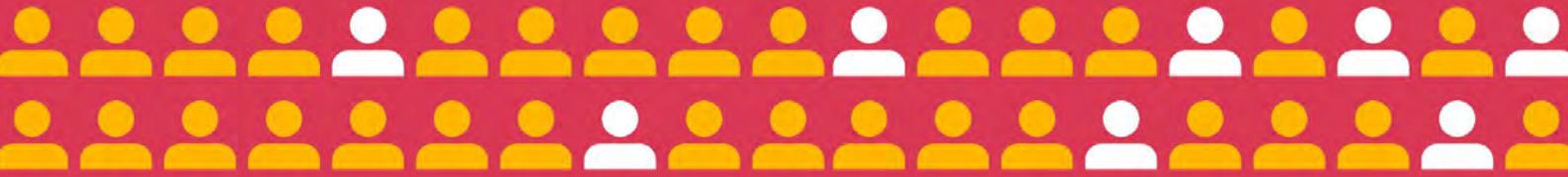
We perform analyses to identify potential factors contributing to our Firm's audit quality so that we can take actions to continuously improve. Our primary objectives when conducting such analyses is to understand what our findings tell us about our SoQM and to identify how our Firm can provide the best possible environment for our engagement teams to deliver a quality audit. We look at quality findings from all sources including our own ongoing monitoring of our SoQM as well as Network inspection of our SoQM, audits both with and without deficiencies—whether identified through our own internal inspections process or through external inspections including regulatory inspections and other inputs such as our Global People Survey and Pulse Survey—to help identify possible distinctions and learning opportunities.

For individual audits, an objective team of reviewers identifies potential factors contributing to the overall quality of the audit. We consider factors relevant to technical knowledge, supervision and review, professional scepticism, engagement resources, and training, amongst others. Potential causal factors are identified by evaluating engagement information, performing interviews, and reviewing selected audit working papers to understand the factors that may have contributed to audit quality.

In addition, the data compiled for audits both with and without deficiencies is compared and contrasted to identify whether certain factors appear to correlate to audit quality. Examples of this data include the hours incurred on the audit by key engagement team members, the number of years that key engagement team members have been on the engagement, the number of other audits that engagement partners are involved in, whether the engagement was subject to a pre-issuance review, and the timing of when the audit work was performed.

Our goal is to understand how quality audits may differ from those with deficiencies, and to use these learnings to continuously improve all of our audits. We evaluate the observations of these analyses to identify enhancements that may be useful to implement across the practice. We believe these analyses contribute significantly to the continuing effectiveness of our quality controls.





## Reinforce: Recognition and Accountability Framework

Our Recognition and Accountability Framework (“RAF”) reinforces quality in everything our people do in delivering on our strategy, with a focus on the provision of services to our clients, how we work with our people and driving a high quality culture. It holds Partners and all levels of staff accountable for quality outcomes beyond compliance. Our RAF considers and addresses the following key elements:

- Quality outcomes: We provide transparent quality outcomes to measure the achievement of the quality objectives. Our quality outcomes take into account meeting professional standards and the PwC Network and our Firm’s standards and policies
- Behaviours: We have set expectations of the right behaviours that support the right attitude to quality, the right tone from the top and a strong engagement with the quality objective
- Interventions/recognition: We have put in place interventions and recognition that promotes and reinforces positive behaviours and drives a culture of quality
- Consequences/reward: We have implemented financial and non-financial consequences and rewards that are commensurate to outcome and behaviour and sufficient to incentivise the right behaviours to achieve the quality objectives

# Ethics, independence and objectivity

## Ethics

At PwC, we adhere to the fundamental principles of the International Ethics Standards Board for Accountants (IESBA) Code of Ethics for Professional Accountants, which are:

1. **Integrity** – to be straightforward and honest in all professional and business relationships.
2. **Objectivity** – to not allow bias, conflict of interest or undue influence of others to override professional or business judgements.
3. **Professional Competence and Due Care** – to maintain professional knowledge and skill at the level required to ensure that a client or employer receives competent professional service based on current developments in practice, legislation and techniques and act diligently and in accordance with applicable technical and professional standards.
4. **Confidentiality** – to respect the confidentiality of information acquired as a result of professional and business relationships and, therefore, not disclose any such information to third parties without proper and specific authority, unless there is a legal or professional right or duty to disclose, nor use the information for the personal advantage of the professional accountant or third parties.
5. **Professional Behaviour** – to comply with relevant laws and regulations and avoid any action that discredits the profession.

Our Network Standards applicable to all Network firms cover a variety of areas including ethics and business conduct, independence, anti-money laundering, anti-trust/fair-competition, anti-corruption, information protection, firm's and partner's taxes, sanctions laws, internal audit and insider trading. We take compliance with these ethical requirements seriously and strive to embrace the spirit and not just the letter of those requirements.



All partners and staff undertake annual mandatory training, as well as submitting annual compliance confirmations, as part of the system to support appropriate understanding of the ethical requirements under which we operate. Partners and staff uphold and comply with the standards developed by the PwC Network and leadership in PwC Malaysia monitors compliance with these obligations.

In addition to the PwC Values (Act with Integrity, Make a difference, Care, Work together, Reimagine the possible) and PwC Purpose, PwC Malaysia has adopted the PwC Network Standards which include a Code of Conduct, and related policies that clearly describe the behaviours expected of our partners and other professionals - behaviours that will enable us to build public trust. Because of the wide variety of situations that our professionals may face, our standards provide guidance under a broad range of circumstances, but all with a common goal - to do the right thing.

Upon hiring or admittance, all staff and partners of PwC Malaysia are provided with the PwC Global Code of Conduct. They are expected to live by the values expressed in the Code in the course of their professional careers and have a responsibility to report and express concerns, and to do so fairly, honestly, and professionally when dealing with a difficult situation or when observing behaviours inconsistent with the Code. Each firm in the PwC Network provides a mechanism to report issues. There is also a confidential global reporting option on [pwc.com/codeofconduct](http://pwc.com/codeofconduct). PwC Malaysia has adopted an accountability framework to facilitate remediation of behaviours that are inconsistent with the Code of Conduct.

The PwC Code of Conduct is available on-line for all internal and external stakeholders @ [pwc.com/ethics](http://pwc.com/ethics).

Finally, the Organisation for Economic Co-operation and Development (OECD) provides guidance, including the OECD Guidelines for Multinational Enterprises (the OECD Guidelines), by way of non-binding principles and standards for responsible business conduct when operating globally. The OECD Guidelines provide a valuable framework for setting applicable compliance requirements and standards. Although the PwC Network consists of firms that are separate legal entities which do not form a multinational corporation or enterprise, PwC Network standards and policies are informed by and meet the goals and objectives of the OECD Guidelines.

## Objectivity and Independence

As auditors of financial statements and providers of other types of professional services, PwC member firms and their partners and staff are expected to comply with the fundamental principles of objectivity, integrity and professional behaviour. In relation to assurance clients, independence underpins these requirements.

Compliance with these principles is fundamental to serving the capital markets and our clients.

The PwC Global Independence Policy, which is based on the IESBA International Code of Ethics for Professional Accountants, including International Independence Standards, contains minimum standards with which PwC member firms have agreed to comply, including processes that are to be followed to maintain independence from clients, when necessary.

PwC Malaysia has a designated partner (known as the 'Partner Responsible for Independence' or 'PRI') with appropriate seniority and standing, who is responsible for implementation of the PwC Global Independence Policy including managing the related independence processes and providing support to the business. The partner is supported by a team of independence specialists. The PRI is also the Chief Risk Officer, a member of the Firm's leadership team.

## Independence policies and practices

The PwC Global Independence Policy covers, among others, the following areas:

- personal and firm independence, including policies and guidance on the holding of financial interests and other financial arrangements, e.g. bank accounts and loans by partners, staff, the Firm and its pension schemes;
- non-audit services and fee arrangements. The policy is supported by Statements of Permitted Services ('SOPS'), which provide practical guidance on the application of the policy in respect of non-audit services to audit clients and related entities;
- business relationships, including policies and guidance on joint business relationships (such as joint ventures and joint marketing) and on purchasing of goods and services acquired in the normal course of business; and
- acceptance of new audit and assurance clients, and the subsequent acceptance of non-assurance services for those clients

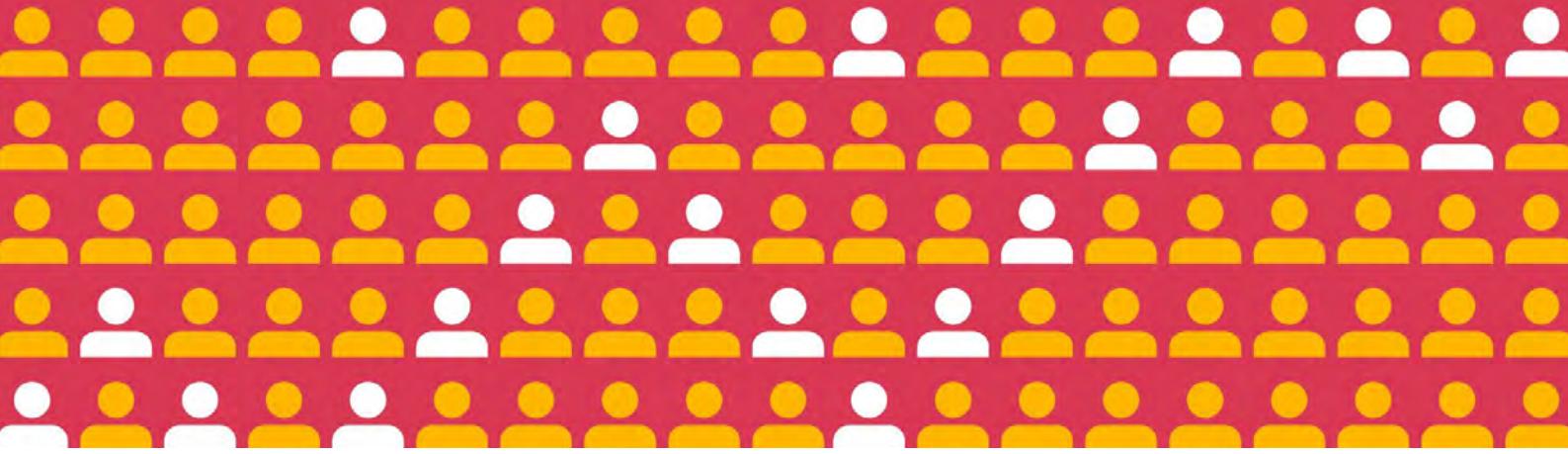
In addition, there is a Network Risk Management Policy governing the independence requirements related to the rotation of key audit partners.

These policies and processes are designed to help PwC comply with relevant professional and regulatory standards of independence that apply to the provision of assurance services. Policies and supporting guidance are reviewed and revised when changes arise such as updates to laws and regulations, including any changes to the Code or in response to operational matters.

The PwC Global Independence Policy includes the independence requirements of the United States Securities and Exchange Commission and those of the Public Accounting Oversight Board of the United States and of the EU Audit Regulation on relevant audit engagements, where they are more restrictive than the Network's policy.

PwC Malaysia has supplemented the PwC Global Independence Policy as required by the By-Laws on Professional Ethics, Conduct and Practice of the Malaysian Institute of Accountants (MIA) and the Companies Act 2016 in Malaysia.

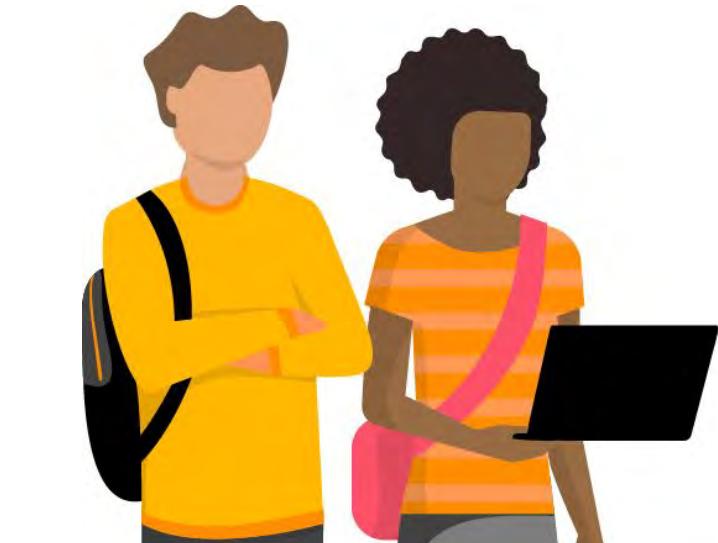




## Independence - related systems and tools

As a member of the PwC Network, PwC Malaysia has access to a number of systems and tools which support PwC member firms and their personnel in executing and complying with our independence policies and procedures. These include:

- The Central Entity Service ('CES'), which contains information about corporate entities including all PwC audit clients and their related entities as well as their related securities. CES assists in determining the independence restriction status of clients of the member firm and those of other PwC member firms before entering into a new non-audit engagement or business relationship. This system also feeds Independence Checkpoint and Authorisation for Services;
- 'Independence Checkpoint' which facilitates the pre-clearance of publicly traded securities by all partners and practice managers before acquisition and records their subsequent purchases and disposals. Where a PwC member firm wins a new audit client, this system automatically informs those holding securities in that client of the requirement to sell the security where required;
- Authorisation for Services ('AFS') which is a global system that facilitates communication between a non-audit services engagement leader and the audit engagement leader, regarding a proposed non-audit service, documenting the analysis of any potential independence threats created by the service and proposed safeguards, where deemed necessary, and acts as a record of the audit partner's conclusion on the permissibility of the service; and
- Global Breaches Reporting System which is designed to be used to report any breaches of external auditor independence regulations (e.g. those set by regulation or professional requirements) where the breach has cross-border implications (e.g. where a breach occurs in one territory which affects an audit relationship in another territory). All breaches are evaluated and addressed in line with the Code.



A database that records all approved business relationships entered into by PwC Malaysia. These relationships are reviewed on a six monthly basis to ensure their ongoing permissibility.

PwC Malaysia also has a number of processes which includes a robust rotation tracking process to regularly monitor compliance with local audit rotation policies for engagement leaders, signing partners and quality review partners involved in an audit engagement.

## Independence training and confirmations

PwC Malaysia provides all partners and practice staff with annual or on-going training in independence matters. Partners and staff receive computer-based training on PwC Malaysia's independence policy and related topics. Additionally, supplemental virtual training is delivered to members of the practice on an as-needed basis by PwC Malaysia's independence specialists and risk and quality teams.

All partners and practice staff are required to complete an annual compliance confirmation, whereby they confirm their compliance with relevant aspects of the member firm's independence policy, including their own personal independence. In addition, all partners confirm that all non-audit services and business relationships for which they are responsible comply with policy and that the required processes have been followed in accepting these engagements and relationships. These annual confirmations are supplemented by periodic and ad-hoc engagement level confirmations.



## Independence monitoring and disciplinary policy

PwC Malaysia is responsible for monitoring the effectiveness of its quality control system in managing compliance with independence requirements. In addition to the confirmations described above, as part of this monitoring, we perform:

- Compliance testing of independence controls and processes;
- Personal independence compliance testing of a random selection of, at a minimum, partners and managers as a means of monitoring compliance with independence policies; and
- An annual assessment of the member firm's adherence with the PwC Network Standard relating to independence.

The results of PwC Malaysia's monitoring and testing are reported to the Firm's Leadership team on a regular basis.

PwC Malaysia has disciplinary policies and mechanisms in place that promote compliance with independence policies and processes, and that require any breaches of independence requirements to be reported and addressed.

This would include discussion with the client's audit committee regarding the nature of the breach, an evaluation of the impact of the breach on the independence of the member firm and the engagement team and the need for actions or safeguards to maintain objectivity. Although most breaches are minor and attributable to an oversight, all breaches are taken seriously and investigated as appropriate. PwC Malaysia also follows supplemental local requirements relating to the reporting of breaches if the engagements are Public Interest Entities. The investigations of any identified breaches of independence policies also serve to identify the need for improvements in PwC Malaysia's systems and processes and for additional guidance and training.



# Considerations in undertaking the audit

Our principles for determining whether to accept a new client or continue serving an existing client are fundamental to delivering quality, which we believe goes hand-in-hand with our purpose to build trust in society. We have established policies and procedures for the acceptance of client relationships and audit engagements that consider whether we are competent to perform the engagement and have the necessary capabilities including time and resources, can comply with relevant ethical requirements, including independence, and have appropriately considered the integrity of the client. We reassess these considerations in determining whether we should continue with the client engagement and have in place policies and procedures related to withdrawing from an engagement or a client relationship when necessary.

## Client and Engagement Acceptance and Continuance

PwC Malaysia implemented a process to identify acceptable clients based on the PwC Network's proprietary decision support systems for audit client acceptance and retention (called Acceptance and Continuance ('A&C')). A&C facilitates a determination by the engagement team, business management and risk management specialists of whether the risks related to an existing client or a potential client are manageable, and whether or not PwC should be associated with the particular client and its management. More specifically, this system enables:

### Engagement teams:

- To document their consideration of matters required by professional standards related to acceptance and continuance;
- To identify and document issues or risk factors and their resolution, for example through consultation by adjusting the resource plan or audit approach or putting in place other safeguards to mitigate identified risks or by declining to perform the engagement; and
- To facilitate the evaluation of the risks associated with accepting or continuing with a client and engagement.

### Member firms (including member firm leadership and risk management):

- To facilitate the evaluation of the risks associated with accepting or continuing with clients and engagements;
- To provide an overview of the risks associated with accepting or continuing with clients and engagements across the client portfolio; and
- To understand the methodology, basis and minimum considerations all other member firms in the Network have applied in assessing audit acceptance and continuance.



Our  
people



# Our people



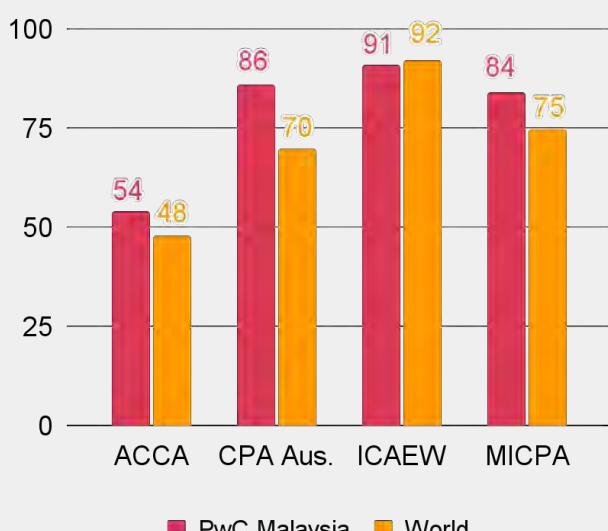
## People strategy

Our people strategy is focused on being the world's leading developer of talent and enabling our people with greater agility and confidence in a rapidly changing world. Specific focus areas include creating a resilient foundation for times of change through supporting the well-being of our people and enabling effective delivery; developing inclusive leaders for a shifting world; and, enabling our workforce for today's realities and tomorrow's possibilities.

Our hiring standards include a structured interview process with behaviour-based questions built from The PwC Professional framework, assessment of academic records, and background checks.

## FY21 overall professional exam results

Pass rate of PwC Malaysia vs World (%)





## Diversity and inclusion



At PwC, we're committed to creating a culture of belonging. We are focused on ensuring our ways of working embrace diversity and fostering an inclusive environment in which our people are comfortable bringing their whole selves to work and feel that they belong and can reach their full potential. As demonstrated through our core values of Care and Work Together, we strive to more deeply understand and empathise with different backgrounds, perspectives and experiences. We know that when people from different backgrounds and with different points of view work together, we create the most value for our clients, our people, and society.

## Recruitment



PwC Malaysia aims to recruit, train, develop and retain the best and the brightest staff who share in the Firm's strong sense of responsibility for delivering high-quality services. Our hiring standards include a structured interview process with behaviour-based questions built from The PwC Professional framework, assessment of academic records, and background checks. Across the Firm in the FY21, we recruited over 294 new people.

## Team selection, experience and supervision



Our audit engagements are staffed based on expertise, capabilities and years of experience. Engagement leaders determine the extent of direction, supervision and review of junior staff.

## Feedback and continuous development



Our team members obtain feedback on their overall performance, including factors related to audit quality, such as technical knowledge, auditing skills and professional scepticism. Audit quality is an important factor in performance evaluation and career progression decisions for both our partners and staff. Feedback on performance and progression is collected via our Snapshot tool, a simple, mobile-enabled technology. We also use Workday to give and receive upward and peer feedback. Ongoing feedback conversations help our people grow and learn faster, adapt to new and complex environments, and bring the best to our clients and firm.

## Career progression



PwC Malaysia uses PwC Professional, our global career progression framework, which sets out clear expectations at all staff levels across five key dimensions. The framework underpins all elements of career development and helps our people develop into well-rounded professionals and leaders with the capabilities and confidence to produce high-quality work, deliver an efficient and effective experience for our clients, execute our strategy, and support our brand. Our annual performance cycle is supported by continuous feedback conversations and regular check-ins with the individual's Team Leader to discuss their development, progression and performance.

## Retention



Turnover in the public accounting profession is often high because as accounting standards and regulations change, accountants are in demand and the development experience we provide makes our staff highly sought after in the external market. Our voluntary turnover rate fluctuates based on many factors, including the overall market demand for talent.

## Global People Survey



Each PwC member firm participates in an annual Global People Survey, administered across the Network to all of our partners and staff. PwC Malaysia is responsible for analysing and communicating results locally, along with clearly defined actions to address feedback.

## The PwC Professional

The PwC Professional supports the development and career progression of our staff by providing a single set of expectations across all lines of service, geographies, and roles; outlining the capabilities needed to thrive as purpose-led and values-driven leaders at every level.

## Professional Development

We are committed to putting the right people in the right place at the right time. Throughout our people's careers, they are presented with career development opportunities, classroom, virtual classroom and on-demand learning, and on-the-job real time coaching/development. Our flexible training portfolio facilitates personalised learning with access to CPE and non-CPE educational materials, including webcasts, podcasts, articles, videos, and courses.

Achieving a professional credential supports our Firm's commitment to quality through consistent examination and certification standards. Our goal is to provide our staff with a more individualised path to promotion and support them in prioritising and managing their time more effectively when preparing professional exams. Providing our people with the ability to meet their professional and personal commitments is a critical component of our people experience and retention strategy.

## Continuing education

We, and other PwC member firms, are committed to delivering quality assurance services around the world. To maximise consistency in the Network the formal curriculum, developed at the Network level, provides access to training materials covering the PwC audit approach and tools - this includes updates on auditing standards and their implications, as well as areas of audit risk and areas of focus for quality improvement.

This formal learning is delivered using a blend of delivery approaches, which include remote access, classroom learning, virtual classroom and on-the-job support. The curriculum supports our primary training objective of audit quality, while providing practitioners with the opportunity to strengthen their technical and professional skills, including professional judgement while applying a sceptical mindset.

The modular design of the curriculum allows us to select, based on local needs, when we deliver the training. We then consider what additional training is appropriate to address any additional specific local needs and quality improvement initiatives.



## Our training investment in people



**Mandatory training attendance**

**99.9%**

Of partners and staff have completed all mandatory training attendance in FY21

## Our Commitment to our people's well being

The overall well-being of our people is a vital part of our people strategy especially in the light of the COVID-19 pandemic. Our flex+ programme provides Flex benefits including Specialist Outpatient and Consultation, maternity related expenses and leave, extended paternity leave and also subsidies for lifestyle including gym memberships and digital tools. flexMed provides flexibility for our people when they're unwell for not more than a day.

A complimentary Employee Assistance Programme that is manned by professional counsellors is also provided to all our people for confidential and independent counselling support.

We conducted various wellbeing and mental wellness webinar sessions hosted by industry professionals that were open to all staff to assist them in staying healthy physically and mentally while working at home. COVID-19 vaccination webinars were also conducted and we registered for vaccination programmes such as Selangor's SCVP and extended our flex programme to include vaccination leave to encourage and assist our staff in getting vaccinated.

## Awards

We have been recognised as being a good place to work. Some of the awards we have been presented with are as follows:

### Graduan Brand Awards 2019

#1 in Professional Services

Most preferred employer in the United Kingdom

Most preferred employer in the Australia

### Life at Work Awards 2019

Outstanding Practice - Initiatives for Millennials

### Graduate Choice Awards 2020

#1 in Accounting & Professional Services

Top 5 in Consulting

Top 10 Overall Winner

### Malaysia's 100 Leading Graduate Employers 2020

#1 in Accounting & Professional Services sector

#1 in Consulting sector

Graduate Employer of the Year (Second Runner-up)

### 2021 LinkedIn Top Companies in Malaysia

Top 10





# Our audit approach



# Our audit approach

PwC Malaysia uses a range of up-to-date methods, processes, technologies, and approaches to ensure continuous improvement in the performance and quality of our audit engagements



## The PwC Audit

The quality and effectiveness of audit is critical to all of our stakeholders. We therefore invest heavily in the effectiveness of our audits, in the skills of our people, in our underlying audit methodology, the technology we use, and in making the right amount of time and resources available. We pay close attention to internal indicators and processes that routinely monitor the effectiveness of our risk and quality processes, and provide timely information about the quality of our audit work and any areas for improvement. Details of these indicators and processes can be found in the Monitoring of Assurance quality section. Additionally, we consider what our various stakeholders require from us, what they tell us we need to improve and the findings of regulatory inspections on the quality of our work. Details of the most recent regulatory findings can be found on [page 12](#).

### People

Data and technology can help reveal insights, but it takes an inquisitive person with well-rounded business knowledge to understand what those insights mean. We recruit professionals with these capabilities - people who can deliver the highest quality outcomes in terms of client service and compliance.



### Technology

As technological change accelerates, our clients want to trust their information with organisations that don't merely keep up but lead the way. We've made a global commitment to offer leading audit technology, and we've invested heavily in tools to match our approach. The result is greater quality and insight to our clients.



### Approach

We've built our audit around our people and our technology. We've designed it to give us more time with our clients, understanding the things that matter to their business. That's more time understanding client concerns, and more time focusing on the inherent risks we see, including how they change over time and how they compare with peer companies.

## ≡ The PwC Audit



## Tools and technologies to support our audit

As a member of the PwC Network, PwC Malaysia has access to and uses PwC Audit, a common audit methodology and process. This methodology is based on the International Standards on Auditing (ISAs), with additional PwC policy and guidance provided where appropriate. PwC Audit policies and procedures are designed to facilitate audits conducted in compliance with all ISA requirements that are relevant to each individual audit engagement. Our common audit methodology provides the framework to enable PwC member firms to consistently comply in all respects with applicable professional standards, regulations and legal requirements.



### Aura Platinum

PwC Audit is underpinned by Aura Platinum, our global audit documentation system which is used across the entire PwC Network. Aura Platinum is the heart of how we build and execute our audit plans by supporting teams in applying our methodology effectively, by creating transparent linkage between risks, required procedures, controls and the work performed to address those risks, as well as providing comprehensive guidance and project management capabilities. Targeted audit plans specify risk levels, controls reliance and substantive testing. Real time dashboards show teams audit progress and the impact of scoping decisions more quickly.

## Audit technology

Aura Platinum is supported by a series of technology-based audit support tools and templates which are accessible via a range of electronic devices ranging from PCs to smartphones. These tools increasingly integrate with Aura, populating audit evidence directly into Aura. The main tools include:



**The Connect Suite** is our collaborative platform that allows clients to quickly and securely share audit documents and deliverables. Connect also eases the burden of tracking the status of deliverables and resolving issues by automatically flagging and tracking outstanding items and issues identified through the audit for more immediate attention and resolution. Clients are also able to see audit adjustments, control deficiencies, and statutory audit progress for all locations - in real time

**Connect Audit Manager** streamlines, standardises and automates group and component teams coordination for multi-location and statutory/regulatory audits. It provides a single digital platform to see all outbound and inbound work and digitises the entire coordination process. This facilitates greater transparency, compliance and quality for complex multi-location audits.



**Halo**, our data auditing tools, test large volumes of data, analysing whole populations to improve risk assessment, analysis and testing. For example, Halo for Journals enables the identification of relevant journals based on defined criteria, making it easier for engagement teams to explore and visualise the data to identify client journal entries to analyse and start the testing process.



**Count**, which facilitates the end-to-end process for inventory counts, allows our engagement teams to create and manage count procedures, counters to record results directly onto their mobile device or tablet and engagement teams to export final results into Aura.



**PwC's Confirmation System**, which facilitates an automated and standardised end-to-end process for all types of external confirmations, allows our engagement teams to create requests and receive external confirmation in a secure environment that helps mitigate the risks associated with receiving confirmation responses electronically.



## Reliability and auditability of audit technologies

Our Firm has designed and implemented processes and controls to underpin the reliability of these audit technologies. This includes clarification of the roles and responsibilities of audit technology owners and users. In addition, we have guidance focused on the sufficiency of audit documentation included in the workpapers related to the use of these audit technologies, including consideration of the reliability of the solution, and the documentation needed to assist the reviewer in meeting their supervision and review responsibilities as part of the normal course of the audit.



## Confidentiality and information security

Confidentiality and information security are key elements of our professional responsibilities. Misuse or loss of confidential client information or personal data may expose the Firm to legal proceedings, and it may also adversely impact our reputation. We take the protection of confidential and personal data very seriously.

Our focus on our clients requires a holistic and collaborative approach to reducing security, privacy and confidentiality risks with significant investment in appropriate controls and monitoring to embed an effective three lines of defence model. This model has enabled us to strengthen our information security organisation, align to industry good practice and improve our internal control frameworks.

## Data Privacy

The Firm maintains a robust and consistent approach to the management of all personal data, with everyone in our organisation having a role to play in safeguarding personal data. We are committed to embedding good data management practices across our business.

## Information Security

Information security is a high priority for the PwC Network. Member Firms are accountable to their people, clients, suppliers, and other stakeholders to protect information that is entrusted to them.

The PwC Information Security Policy (ISP) is aligned with ISO/IEC 27001, financial services industry standards, and other reputable frameworks (COBIT, NIST, etc.) as benchmarks for security effectiveness across the network of member firms. The PwC ISP directly supports the Firm's strategic direction of cyber readiness to proactively safeguard its assets and client information. The PwC ISP is reviewed, at a minimum, on an annual basis.

PwC Malaysia is required to adhere to the ISP requirements and complete an annual, evidence based assessment to demonstrate compliance. The CISO approved assessment undergoes a detailed and standardised Quality Assessment (QA) process performed by a centralised, objective Network Information Security Compliance team.

# Supporting engagement performance



## Evolving delivery model

We continue to evolve the way we deliver our services so that our people give our clients an even better experience, improve the quality of what we do and create economic capacity to invest in the future. We use both on and offshore resources at Centres of Excellence to streamline, standardise, automate, and centralise portions of the audit.



## Direction, coaching and supervision

Engagement leaders and senior engagement team members are responsible and accountable for providing quality coaching throughout the audit and supervising the work completed by junior members of the team, coaching the team and maintaining audit quality. Teams utilise Aura Platinum which has capabilities to effectively monitor the progress of the engagement to make sure that all work have been completed and reviewed by relevant individuals, including the engagement leader.



## Consultation culture

Consultation is key to maintaining high audit quality. While we have formal protocols about mandatory consultation, in the pursuit of quality, we regularly consult more than the minimum requirement. For example, our engagement teams routinely speak with experts in areas such as taxation, risk, valuation, and other specialities as well as individuals within our internal technical support functions.



## Technical Support functions

Our technical support functions comprise technical accounting, auditing, and financial reporting specialists as well as risk and quality. These specialists play a vital role in keeping our policies and guidance in these areas current by tracking new developments in accounting and auditing and providing those updates to professional staff.



## Quality Review Partners (QRP)

Specific audit engagements are assigned a QRP as part of the Firm's system of quality management as required by professional standards. These partners, who have the necessary experience and technical knowledge, are involved in the most critical aspects of the audit. For example, they may advise on matters of firm independence, significant risks and a team's responses to those risks, and specific accounting, auditing, and financial reporting and disclosure issues.



## Differences of opinion

Protocols exist to resolve the situations where a difference of opinion arises between the engagement leader and either the QRP, another Assurance partner or central functions such as the technical support functions. These include the use of technical panels consisting of partners independent of the engagement.

# Monitoring



# Monitoring

## Monitoring of Assurance quality

We recognise that quality in the Assurance services we deliver to clients is key to maintaining the confidence of investors and other stakeholders in the integrity of our work. It is a key element to our Assurance strategy.

Responsibility for appropriate quality management lies with the Leadership of PwC Malaysia. This includes the design and operation of an effective SoQM that is responsive to our specific risks to delivering quality audit engagements, using the Network's QMSE framework.

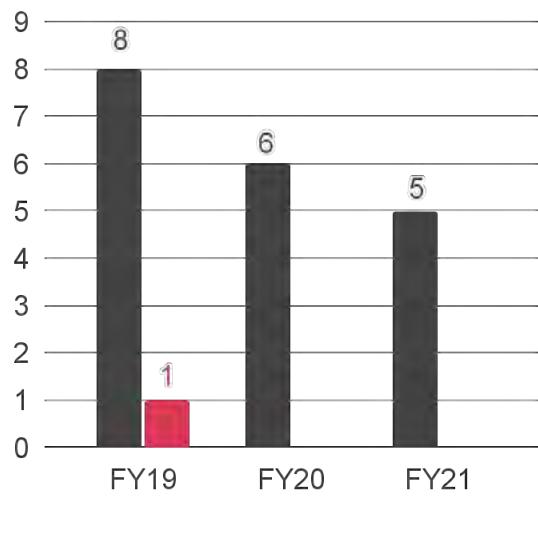
The overall quality objective under the QMSE framework is to have the necessary capabilities in our Firm and to deploy our people to consistently use our methodologies, processes and technology in the delivery of Assurance services in an effective and efficient manner to fulfil the valid expectations of our clients and other stakeholders.

Our Firm's monitoring procedures include an ongoing assessment aimed at evaluating whether the policies and procedures which constitute our SoQM are designed appropriately and operating effectively to provide reasonable assurance that our audit and non-audit assurance engagements are performed in compliance with laws, regulations and professional standards. This includes the use of Real Time Assurance which is discussed in more detail on [page 22](#) within The Quality Management Process section.

Our monitoring also encompasses an independent review of completed engagements (ECRs) as well as periodic monitoring of our SoQM by an objective team. The results of these procedures, together with our ongoing monitoring, form the basis for the continuous improvement of our SoQM.

Our Firm's monitoring program is based on a consistent Network-wide inspections program based on professional standards relating to quality control including ISQC 1 as well as Network policies, procedures, tools and guidance.

## Results of ECRs for PIEs



■ Compliant\* ■ Non-compliant\*

\*A description of these terms can be found on the next page.





ECRs are risk-focused reviews of completed engagements covering, on a periodic basis, individuals in our Firm who are authorised to sign audit or non-audit assurance reports. The review assesses whether an engagement was performed in compliance with PwC Audit guidance, applicable professional standards and other applicable engagement-related policies and procedures. Each signer is reviewed at least once every five years, unless a more frequent review is required based on the profile of that signer's client engagements or due to local regulatory requirements.

Reviews are led by experienced Assurance partners, supported by objective teams of partners, directors, and senior managers and other specialists. ECR reviewers may be sourced from other member firms if needed to provide appropriate expertise or objectivity. Review teams receive training to support them in fulfilling their responsibilities, and utilise a range of checklists and tools developed at the Network level when conducting their review procedures. The Network inspection team support review teams with consistent application of guidance on classification of engagement findings and engagement assessments across the network.

ECRs rate engagements as "Compliant" or "Non-compliant". Compliant means that the audit work performed and audit evidence obtained was sufficient, the engagement partner judgments and audit opinion were appropriate, and that all these matters were accurately documented, thus complying with auditing standards and PwC Audit. Non-compliant means there

were deficiencies in one or more of these areas or that the documentation was insufficient.

In addition, the PwC Network coordinates an inspection program to review the design and operating effectiveness of our SoQM. The use of a central team to monitor these inspections across the Network enables a consistent view and sharing of relevant experience across the PwC Network.

The results of the inspections are reported to our Firm's leadership who are responsible for analysing the findings and implementing remedial actions as necessary. In situations where adverse quality matters on engagements are identified, based on the nature and circumstances of the issues, the responsible partner or our Firm's Assurance leadership personnel may be subject to additional mentoring, training or further sanctions in accordance with our Firm's Recognition and Accountability Framework.

Partners and employees of our Firm are informed about the inspection results and the actions taken to enable them to draw the necessary conclusions for the performance of their engagements. In addition, engagement partners of our Firm are informed by the Network inspection program about relevant inspection findings in other PwC member firms, which enables our partners to consider these findings in planning and performing their audit work.



# Legal and governance structure



# Legal and governance structure

## Legal structure and ownership of PwC Malaysia

PricewaterhouseCoopers PLT is the audit entity for PwC in Malaysia, with 31 audit Partners.

PricewaterhouseCoopers PLT and its affiliated corporate entities listed in Appendix 1 below form PwC Malaysia ("the Firm"). PwC Malaysia is wholly owned by the Partners of the Firm. Partners have equal voting rights in all matters relating to the corporate entities.

There are no such instances of Partners with more than 10% share in the partnership and also no family relationships between partners undertaking leadership roles or holding substantial equity in the partnership of more than 10% share with other partners in the Firm.

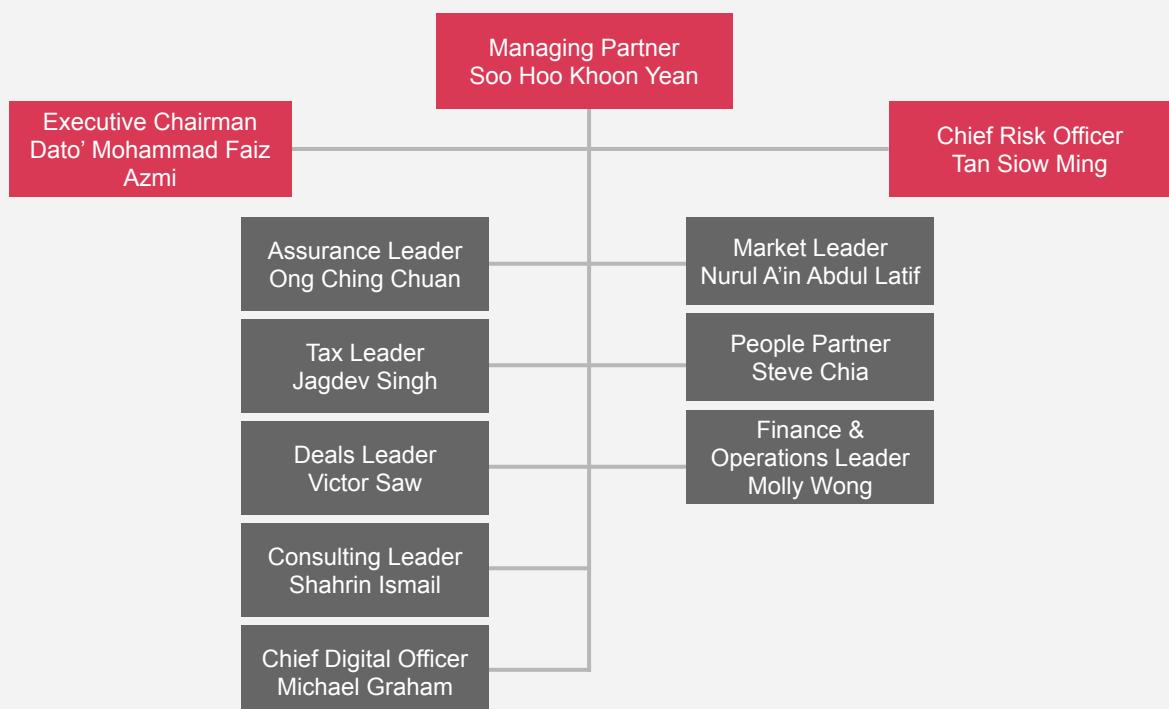
## Governance structure of the PwC Malaysia

Our governance structure reflects our partnership model. We have a Managing Partner who, once elected, forms the Country Management Team ("CMT") which is made up of partners. The CMT's activities are governed by the Partnership Agreement. Each member of the CMT is subject to formal, rigorous, and ongoing performance evaluation. In addition, consideration is given to PwC's Network standards. The CMT meets monthly, with additional meetings called when required.

### Areas of focus for the CMT

The CMT considers a wide range of issues for the Firm such as risk, strategy, reputation, people matters including health and wellbeing especially during the COVID-19 pandemic, technology, return on investments, and culture and has supported, given guidance to and challenged the Managing Partner.

The CMT provides oversight of the long term strategy and certain partner matters under the Partnership Agreement.



PwC

Network



# PwC Network



## Global Network

PwC is the brand under which the member firms of PricewaterhouseCoopers International Limited (PwCIL) operate and provide professional services. Together, these firms form the PwC Network. 'PwC' is often used to refer either to individual firms within the PwC Network or to several or all of them collectively.

In many parts of the world, accounting firms are required by law to be locally owned and independent. The PwC Network is not a global partnership, a single firm, or a multinational corporation. The PwC Network consists of firms which are separate legal entities.

PwC is a network of firms in 156 countries with more than 295,371 people who are committed to delivering quality in assurance, advisory and tax services.

For more information on PwC and The New Equation, please see <https://www.pwc.com/gx/en>



## PricewaterhouseCoopers International Limited

Firms in the PwC Network are members in, or have other connections to, PricewaterhouseCoopers International Limited (PwCIL), an English private company limited by guarantee. PwCIL does not practise accountancy or provide services to clients. Rather its purpose is to act as a coordinating entity for member firms in the PwC Network. Focusing on key areas such as strategy, brand, and risk and quality, PwCIL coordinates the development and implementation of policies and initiatives to achieve a common and coordinated approach amongst individual member firms where appropriate. Member firms of PwCIL can use the PwC name and draw on the resources and methodologies of the PwC Network. In addition, member firms may draw upon the resources of other member firms and/or secure the provision of professional services by other member firms and/or other entities. In return, member firms are bound to abide by certain common policies and to maintain the standards of the PwC Network as put forward by PwCIL.

The PwC Network is not one international partnership. A member firm cannot act as agent of PwCIL or any other member firm, cannot obligate PwCIL or any other member firm, and is liable only for its own acts or omissions and not those of PwCIL or any other member firm. Similarly, PwCIL cannot act as an agent of any member firm, cannot obligate any member firm, and is liable only for its own acts or omissions. PwCIL has no right or ability to control member firm's exercise of professional judgement.

## The governance bodies of PwCIL are:

- **Global Board**, which is responsible for the governance of PwCIL, the oversight of the Network Leadership Team and the approval of Network standards. The Board does not have an external role. Board members are elected by partners from all PwC firms around the world every four years.
- **Network Leadership Team**, which is responsible for setting the overall strategy for the PwC Network and the standards to which the PwC firms agree to adhere.
- **Strategy Council**, which is made up of the leaders of the largest PwC firms and regions of the Network, agrees on the strategic direction of the Network and facilitates alignment for the execution of strategy.
- **Global Leadership Team** is appointed by and reports to the Network Leadership Team and the Chairman of the PwC Network. Its members are responsible for leading teams drawn from Network firms to coordinate activities across all areas of our business.



## Appendix 1:

Details of affiliated corporate entities as at 30 June 2021 that form PwC Malaysia

	<b>Name of Entity</b>	<b>Principal business activity</b>	<b>Country of incorporation</b>
1	PricewaterhouseCoopers PLT	Providing audit and assurance services	Malaysia
2	PricewaterhouseCoopers Hldgs Malaysia PLT	Investment holding entity	Malaysia
3	PricewaterhouseCoopers Advisory Services Sdn Bhd	Providing advisory services	Malaysia
4	PricewaterhouseCoopers Taxation Services Sdn Bhd	Providing taxation services	Malaysia
5	PricewaterhouseCoopers eTax.com Sdn Bhd	Research and development of tax technology solutions	Malaysia
6	PricewaterhouseCoopers Risk Services Sdn Bhd	Providing risk assurance services	Malaysia
7	PricewaterhouseCoopers Capital Sdn Bhd	Providing advisory services	Malaysia
8	PwC Consulting Services (M) Sdn Bhd	Providing consultancy services	Malaysia
9	PwC Consulting Associates (M) Sdn Bhd	Providing consultancy services	Malaysia
10	PwC International Assignment Services Sdn Bhd	Providing international assignment services	Malaysia
11	PricewaterhouseCoopers WMS (Malaysia) Sdn Bhd	Provision of advice and consulting services regarding customs excise and international trade projects	Malaysia
12	PricewaterhouseCoopers Associates Sdn Bhd	Providing management services	Malaysia
13	VS & Co	Approved liquidator	Malaysia
14	PricewaterhouseCoopers Actuarial Services (Malaysia) Sdn Bhd*	Providing actuarial services	Malaysia

\* not owned by, or part of PwC Malaysia

## Appendix 2:

### List of Public Interest Entities audited by PwC Malaysia as at 30 June 2021 (1/2)

#### Public Listed Companies (PLCs)

1. Affin Bank Berhad
2. Alliance Bank Malaysia Berhad
3. Allianz Malaysia Berhad
4. Astro Malaysia Holdings Berhad
5. Axiata Group Berhad
6. BIMB Holdings Berhad
7. Bumi Armada Berhad
8. Carlsberg Brewery Malaysia Berhad
9. CIMB Group Holdings Berhad
10. Cycle & Carriage Bintang Berhad
11. Deleum Berhad
12. Dutch Lady Milk Industries Berhad
13. FGV Holdings Berhad
14. Gas Malaysia Berhad
15. Genting Berhad
16. Harrisons Holdings (Malaysia) Berhad
17. Hengyuan Refining Company Berhad
18. Hibiscus Petroleum Berhad
19. Hong Leong Financial Group Berhad
20. I-Berhad
21. Icon Offshore Berhad
22. IGB Berhad
23. IJM Corporation Berhad
24. IOI Properties Group Berhad
25. Leong Hup International Berhad
26. MAA Group Berhad
27. Malaysia Building Society Berhad
28. Malaysian Resources Corporation Berhad
29. Maxis Berhad
30. Media Prima Berhad
31. Melewar Industrial Group Berhad
32. Mesiniaga Berhad
33. Metrod Holdings Berhad
34. MMC Corporation Berhad
35. Perak Corporation Berhad
36. Petra Energy Berhad
37. Petron Malaysia Refining & Marketing Bhd.
38. Pharmaniaga Berhad
39. Pintaras Jaya Berhad
40. Reach Energy Berhad
41. RHB Bank Berhad
42. Salutica Berhad
43. Scicom (Msc) Berhad
44. Seremban Engineering Berhad
45. Sime Darby Berhad
46. Sime Darby Plantation Berhad
47. Sime Darby Property Berhad
48. Tenaga Nasional Berhad
49. Wah Seong Corporation Berhad
50. Wang-Zheng Berhad
51. Yinson Holdings Berhad
52. YTL Power International Berhad

#### Listed subsidiaries under PLCs

53. Genting Malaysia Berhad
54. Genting Plantations Berhad
55. Hong Leong Bank Berhad
56. Hong Leong Capital Berhad
57. IJM Plantations Berhad
58. MSM Malaysia Holdings Berhad
59. Mycron Steel Berhad
60. Syarikat Takaful Malaysia Keluarga Berhad
61. Teo Seng Capital Berhad

#### Financial Institutions

62. Affin Hwang Investment Bank Berhad
63. Affin Islamic Bank Berhad
64. AIA Bhd.
65. AIA General Berhad
66. AIA Public Takaful Bhd.
67. AIG Malaysia Insurance Berhad
68. Alliance Investment Bank Berhad
69. Alliance Islamic Bank Berhad
70. Allianz General Insurance Company (Malaysia) Berhad
71. Allianz Life Insurance Malaysia Berhad
72. Ambra Versicherung Ag, Malaysia Branch
73. Axa Affin General Insurance Berhad
74. Axa Affin Life Insurance Berhad
75. Bank Islam Malaysia Berhad
76. Bank Of America Malaysia Berhad
77. Bank Of China (Malaysia) Berhad
78. BNP Paribas Malaysia Berhad
79. Chubb Insurance Malaysia Berhad
80. CIMB Bank Berhad
81. CIMB Investment Bank Berhad
82. CIMB Islamic Bank Berhad
83. Danajamin Nasional Berhad
84. Gibraltar BSN Life Berhad
85. Great Eastern General Insurance (Malaysia) Berhad
86. Great Eastern Life Assurance (Malaysia) Berhad
87. Great Eastern Takaful Berhad
88. Hannover Rück SE Malaysian Branch



- 89. Hong Leong Assurance Berhad
- 90. Hong Leong Investment Bank Berhad
- 91. Hong Leong Islamic Bank Berhad
- 92. Hong Leong Msig Takaful Berhad
- 93. HSBC Amanah Malaysia Berhad
- 94. HSBC Bank Malaysia Berhad
- 95. India International Bank (Malaysia) Berhad
- 96. J.P. Morgan Chase Bank Berhad
- 97. KAF Investment Bank Berhad
- 98. MBSB Bank Berhad
- 99. OCBC Al-Amin Bank Berhad
- 100. OCBC Bank (Malaysia) Berhad
- 101. QBE Insurance (Malaysia) Berhad
- 102. Private Pension Administrator Malaysia
- 103. RHB Insurance Berhad
- 104. RHB Investment Bank Berhad
- 105. RHB Islamic Bank Berhad
- 106. Sun Life Malaysia Assurance Berhad
- 107. Sun Life Malaysia Takaful Berhad
- 108. Syarikat Takaful Malaysia Am Berhad
- 109. The Pacific Insurance Berhad
- 110. Tokio Marine Insurans (Malaysia) Berhad
- 111. Tokio Marine Life Insurance Malaysia Bhd.

#### **CMSL Holders**

- 112. Affin Hwang Asset Management Berhad
- 113. AIA Pension And Asset Management Sdn. Bhd.
- 114. AIIMAN Asset Management Sdn Bhd
- 115. Alpha Reit Managers Sdn Bhd
- 116. Amundi Aalam Sdn. Bhd.
- 117. Amundi Malaysia Sdn. Bhd.

- 118. Axis Reit Managers Berhad
- 119. BIMB Investment Management Berhad
- 120. BNP Paribas Asset Management Malaysia Sdn. Bhd.
- 121. BNP Paribas Asset Management Najmah Malaysia Sdn. Bhd.
- 122. BOS Wealth Management Malaysia Berhad
- 123. CLSA Securities Malaysia Sdn Bhd
- 124. Credit Suisse Securities (Malaysia) Sdn Bhd
- 125. Franklin Templeton Asset Management (Malaysia) Sdn. Bhd.
- 126. Franklin Templeton GSC Asset Management Sdn. Bhd.
- 127. GAX MD Sdn. Bhd.
- 128. Goldman Sachs (Malaysia) Sdn Bhd
- 129. Guidance Investments Sdn. Bhd.
- 130. Hong Leong Asset Management Bhd
- 131. Hong Leong Islamic Asset Management Sdn Bhd
- 132. i-VCAP Management Sdn Bhd
- 133. IGB Reit Management Sdn Bhd
- 134. JPMorgan Securities (Malaysia) Sdn Bhd
- 135. KAF Investment Funds Berhad
- 136. KAF-Seagroatt & Campbell Securities Sdn. Bhd.
- 137. KIP REIT Management Sdn. Bhd.
- 138. Macquarie Capital Securities (Malaysia) Sdn Bhd
- 139. Malacca Securities Sdn. Bhd.
- 140. MTC Asset Management (M) Sdn. Bhd.
- 141. RHB Asset Management Sdn. Bhd.
- 142. RHB Islamic International Asset Management Berhad
- 143. Value Partners Asset Management Malaysia Sdn. Bhd.





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