



# **GOLDEN LAND BERHAD**

[Registration No. 199401012688 (298367-A)]

[Incorporated in Malaysia]

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## **POLICY AND PROCEDURES FOR THE ASSESSMENT OF EXTERNAL AUDITORS**

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## 1.0 INTRODUCTION

- 1.1 The *Policy and Procedures for the Assessment of External Auditors* (“Policy”) was adopted in compliance with the Malaysian Code on Corporate Governance as at 28 April 2021 (“MCCG 2021”).
- 1.2 The Audit and Risk Management Committee (“ARMC”) of Golden Land Berhad (“GLB”) is assigned to assess, review and supervise performance, suitability, objectivity and independence of the External Auditors.
- 1.3 It is important for the ARMC to undertake an annual assessment of the suitability and independence of the External Auditors to ensure that the External Auditors are and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements and, they have met the criteria of suitability.
- 1.4 The main objective of this Policy is to safeguard the integrity and independence of financial reporting and to ensure the approved External Auditors have the appropriate skills, knowledge and experience in fulfilling their roles and responsibilities.

## 2.0 ROLE OF ARMC

- 2.1 The role of the ARMC is to provide assistance to the Board of Directors (“Board”) in fulfilling its fiduciary responsibilities as follows:-
  - (a) To consider the appointment and annual reappointment of the External Auditors and their audit fees, after taking into consideration the independence and objectivity of the External Auditors and the cost effectiveness of their audit.
  - (b) To review with the External Auditors before the audit commences, the nature, scope of the audit and the audit plans.
  - (c) To review the External Auditors’ management letter and management’s response pertaining to the problems and observations arising during the audits and any matter the auditors may wish to discuss without the presence of management where necessary.
  - (d) To advise the Board of Directors with the reasons that provision of non-audit services by the External Auditors are not perceived to be materially in conflict with the role of auditors.
- 2.2 Where non-audit services are engaged, ARMC provide the Board in the form of an endorsed resolution passed by the members of ARMC, supported by written advice signed by a member of the ARMC. The report must contain a statement outlining whether the ARMC is satisfied, together with their reasons, that the provision of non-audit services by the External Auditors during the year was compatible with the general standard of independence for External Auditors (excluding tax compliance and advisory services that have no impact on the financial statements of the Group).

### **3.0 SELECTION AND APPOINTMENT PROCEDURE**

- 3.1 Pursuant to Section 271(1) of the Companies Act, 2016, the Company shall at each Annual General Meeting (“AGM”) appoint or reappoint the External Auditors of the Company, and the External Auditors so appointed shall, hold office until the conclusion of the next AGM of the Company.
- 3.2 The ARMC will follow the following procedures for selection and appointment of new External Auditors, when they determine a need to change the External Auditors:-
- (a) To identify the audit firms which meet the criteria for appointment upon considering the engagement proposals, among others,
    - The adequacy of the experience and resources of the audit firm in managing the complexity of GLB
    - The persons assigned to the audit
    - The audit engagement of the audit firm;
    - The number and experience of supervisory and professional staff assigned to the particular audit;
  - (b) To assess the proposals and shortlist the suitable audit firms;
  - (c) To meet and/or interview the shortlisted audit firms;
  - (d) To recommend the suitable audit firm to the Board for appointment as External Auditors; and
  - (e) Upon obtaining the endorsement from the Board, the proposal will be recommended to seek shareholders’ approval for the appointment of the new External Auditors and/or resignation/removal of the existing External Auditors at the general meeting.
- 3.3 The ARMC may delegate or seek the assistance of the Head of Accounts and Finance to carry out items (a) to (b) above;

### **4.0 SUITABILITY AND INDEPENDENCE CRITERIA**

- 4.1 In assessing the suitability and independence of the External Auditors, the ARMC must evaluate the External Auditors based on the established criteria as below:-
- (a) Overall Capabilities of the Firm
    - Affiliation with worldwide firm-nature of professional quality assurance and other interactions to ensure the International Auditing Standards are maintained at all times.
    - Experience in the audit of plantation companies and report according to Malaysia Financial Reporting Standard.
    - Number of partners and professional staff, partner-staff ratio, ability to substitute staff at similar levels of qualifications and experience.
    - Types of clients, number of large clients.
    - Any legal actions or reputational issues relating to firm that may impact the ability of the firm to provide services to GLB Group.

- (b) Professional team assigned
  - Team Organisation (Review Partner, Independent Partner, Managers, Audit in Charge).
  - The *curriculum vitae* of Review Partner - professional and academic qualifications, years of external audit experience, experience with auditing against International Financial Reporting Standards, any experience in plantation industry.
  - Number of hours allocated in the fee proposal by Partner, Managers and Auditor In-Charge.
  
- (c) Proposed methodology
  - Risk assessment methodology – how would auditor see this fitting in with the company risk management activities.
  - Balance between reviews of controls and substantive testing.
  - Reporting approach – interim reports, management reports, presentations to the Management and Board.
  - Number of hours allocated to the assignments, breakdown between interim and final audit.
  - Number of audit visits to the Company.
  - Approach in reviewing the financial system.
  - Proposed interaction with internal audit functions.
  
- (d) Independence
  - Able to provide written declaration to the Board.
  - Specific compliance with no direct or indirect investment in GLB securities and business transaction.
  
- (e) Time Cost
  - Should not be excessive that lead to disagreement in fees or too low that it could impair the quality of the audit or ability of the firm to deliver.

4.2 The External Auditors' Evaluation Form is appended as **Appendix I**.

## 5.0 ASSESSMENT ON INDEPENDENCE

5.1 To provide support for an assessment on independence, the ARMC shall obtain written assurance from the External Auditors confirming that they are, have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

5.2 External Auditors must also confirm to the Board that:-

- The audit firm and/or any member of the audit engagement team must not have a direct or indirect investment in GLB securities.
- The audit firm and/or any member of the audit engagement team must not have a business relationship with GLB Group.
- The audit firm must not have material financial interest in any company that has a material interest in GLB Group.

5.3 The Head of Accounts and Finance is responsible for collecting the above disclosures as part of the financial accounts' due diligence process.

## 6.0 NON-AUDIT SERVICES

6.1 Fees for permissible non-audit services should not exceed 50% of the fees paid for the statutory audit within GLB Group. Any fees for permissible non-audit services above this threshold must be presented to the ARMC for their consideration and approval prior to the finalisation of the letter of engagement for the said services. Management is required to include a full assessment on the actual and potential impact on the auditors' independence while proposing non-audit services for ARMC's approval.

6.2 The principles are as follows:-

- (a) External Auditors may provide audit and non-audit related services provided that they are consistent with the role of Auditors;
- (b) External Auditors cannot function in the role of Management;
- (c) External Auditors should not provide services that are perceived to be materially in conflict with their roles as External Auditors;
- (d) External Auditors may be permitted to provide non-audit services that are not perceived to be materially in conflict with their roles as External Auditors, subject to the approval of the ARMC;
- (e) External Auditors should not audit their own works;
- (f) Exceptions may be made to the policy where the variation is in the interest of GLB Group and arrangements are put in place to preserve the integrity and independence of the external audit process. ARMC must specifically approve any such exception; and
- (g) External Auditors cannot serve in an advocacy role of the Company and its subsidiaries ("the Group").

6.3 The list of prohibited non-audit services (non-exhaustive) are as follows:-

- (a) Accounting and bookkeeping services, including payroll services and the preparation of financial statements and financial information;
- (b) Valuation services if the valuations would have a material effect on the financial statements;
- (c) reparation of tax calculations of current and deferred tax liabilities (or assets) for the purpose of preparing accounting entries that are material to the financial statements;
- (d) Internal audit services that relate to a significant part of the internal controls over financial reporting, financial accounting systems or amount or disclosures that are material to the financial statements;
- (e) Design of implementation of information systems that form a significant part of the internal control or information on financial reporting, accounting records or financial statements
- (f) Acting in an advocacy role on behalf of the company to resolve a dispute or litigation when the amounts involved are material to the financial statements;
- (g) Recruiting services with respect to a director, officer or senior management personnel who would be in a position to exert significant influence over the preparation of accounting records or the financial statements; and

- (h) Corporate finance services which involve promoting, dealing in, or underwriting shares.

## **7.0 REVIEW OF AUDIT ARRANGEMENTS**

- 7.1 ARMC shall review the External Auditors' performance annually together with the suitability and independence criteria being set above. As part of this review, the ARMC will obtain feedback from the Directors and Management regarding the quality of the audit service.

## **8.0 DISCLOSURE**

ARMC should disclose that it has conducted the suitability and independence assessment in the Annual Report and in any notice convening a general meeting for the appointment and re-appointment of External Auditors.

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## EXTERNAL AUDITORS' EVALUATION FORM

PERIOD: \_\_\_\_\_

This evaluation is to be completed by the Audit and Risk Management Committee (ARMC) members.

Where any criterion is deemed not applicable, it should be indicated as 'Not Applicable' in the comment box.

Name of External Auditors: \_\_\_\_\_

Audit Team Member: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

IS Audit: \_\_\_\_\_

Tax Review: \_\_\_\_\_

### Section A: Calibre of External Audit Firm

1. Are there recent or current litigation cases against the firm?

Comment:
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2. Does the External Audit firm have the size, resources and geographical coverage required to audit the Company?

Comment:
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## Section B: Quality Processes / Performance

3. How are the quality control processes maintained in the External Audit firm? Factors to be considered include the level and nature of review procedures, the approach to audit judgments and issues, independent quality control reviews and the external audit firm's approach to risk.

Comment:

4. How have key risks, including fraud risk and financial misstatement risk, been discussed and factored into the audit plan?

Comment:

5. How is the External Audit firm's process for internal review of accounting judgments, including an understanding of the key issues?

Comment:

6. How are relevant specialists/experts being employed by the External Audit firm and how are these linked to the audit process?

Comment:

7. How are multiple-location audits and/or overseas audits controlled and is their audit effectiveness regarded as consistent internationally?

Comment:

8. Are the reporting processes for subsidiary audit teams effective?

Comment:

9. How is the External Audit firm's approach to seeking and assessing management representations?

Comment:

10. In cases where there are any differences in views between Management and the External Auditors, does the External Auditors communicate their views clearly and accurately from an accounting perspective?

Comment:

11. Does the ARMC agree with the bases and extent of reliance External Auditors place on Management and internal audit testing, if any?

Comment:

12. Comment on the External Auditors' working relationship with Internal Auditors.

Comment:

13. Did the External Auditors meet the performance targets, i.e. audit scope, audit plan, timing, etc.?

Comment:

14. Does the External Audit function include detection and investigation of fraud? If it does not, please comment on its role in relation to investigation of fraud?

Comment:

### Section C: Audit Team

15. Rate whether audit engagement partner and individuals assigned to the External Audit team have the requisite skills and expertise, including industry knowledge, to effectively audit and meet its needs and requirements?

Rating guide

4 - above average    3 - average    2 - below average    1 - poor

Comment:

16. Is the lead engagement partner able to provide a clear and understandable explanation on auditing and accounting issues faced by the Company?

Comment:

17. How is the audit engagement partner's / other senior personnel's involvement in the audit process and is this sufficient?

Comment:

### Section D: Independence and Objectivity

18. Does the External Audit firm communicate to the Company on any matters which might reasonably be perceived to affect the independence of the firm and/or of individuals assigned to the external audit term?

Comment:

19. Does the External Audit firm have adequate key member successions plans in place, which meet the relevant audit partner rotation requirements and facilitate the maintenance of objectivity?

Comment:

20. Is the ARMC of the opinion that the external audit function is independent and objective?

Comment:

21. Prior to approval by the ARMC on non-audit services to be rendered by the external audit firm, does the lead engagement partner explain and discuss safeguards in place to protect against impairment to independence and objectivity of the external audit firm?

Comment:

22. Does the External Auditors communicate to the ARMC about new and applicable accounting practices and auditing standards and its impact on the Company's financial statement?

Comment:

### **Section E: Audit Scope and Planning**

23. Does the External Audit firm, with the audit engagement partner present, agree to the audit scope and plan with the ARMC?

Comment:

24. Is the External Audit scope and plan adequate to address company / industry-specific areas of accounting risks, audit risks and financial reporting risks faced by the Company?

Comment:

25. In planning the audit, are adequate considerations given to the geographical coverage, resource allocation, level of audit testing and nature of the audit reports issued at each location?

Comment:

26. Is specialist input to the audit in areas such as taxation, pensions and regulation at an appropriate level?

Comment:

27. Are all key operations covered by the External Auditors?

Comment:

28. Did the External Auditors maintain or update the audit plan to respond to changing risks and circumstances, in a manner agreeable and determined appropriate by the ARMC?

Comment:

#### **Section F: Audit Fees**

29. How does the audit fee compare with other similarly sized companies in this industry?  
(Note: In this context, a rating of "4" indicates a relatively high fee whilst a rating of "1" indicates a relatively low fee. A fee that is either too high or too low can be of concern)

Comment:

30. Rate how the differences between actual and estimated fees are handled?

Comment:

31. Is an assessment conducted on the amount and relationship of audit and non-audit fees and services?

Comment:

32. Does the ARMC consider the fee for External Audit practical and sufficient for the scope, size, complexity and risks of the Company?

Comment:

### Section G: Audit Communications

33. Does the External Audit firm meet freely, regularly, and on a confidential basis with the Audit and Risk Management Committee, including being able to communicate to the ARMC if not provided with sufficient cooperation during the audit?

Comment:

34. Does the external audit engagement partner maintain professional and open dialogues with the ARMC and communicate findings and discussions in a frank and complete manner (including matters on management's reporting process, internal control over financial reporting, etc.)?

Comment:

35. Does the External Audit firm advise the ARMC about significant issues and new developments regarding risk management, corporate governance, financial accounting and related risks and controls on timely basis?

Comment:

36. Does the External Auditors discuss the critical accounting policies and whether the accounting treatment is conservative or aggressive?

Comment:

37. Does the External Audit firm discuss with the ARMC the quality of the Company's financial reporting, including the reasonableness of accounting estimates and judgments?

Comment:

38. Does the External Audit firm resolve accounting issues in a timely manner?

Comment:

39. Does the External Audit firm seek feedback on the quality and effectiveness of the services they are providing?

Comment:

Evaluation carried out by:

Checked and compiled by:

\_\_\_\_\_  
Name :

Date :

\_\_\_\_\_  
Name :

Date :