

AUDIT COMMITTEE REPORT

The Audit Committee, formed on 24 October 2012 comprising of 4 members has been entrusted to assess the risks and control environment, oversee financial reporting, evaluate the internal and external audit process as well as to review conflict of interest situations and related party transactions.

Name of Directors	Designation	Number of Meetings Attended
Dato' Mohzani bin Abdul Wahab (Chairman)	Independent Non-Executive Director	4/4
Dato' Maznah binti Abdul Jalil	Independent Non-Executive Director	4/4
Dato' Choo Chuo Siong	Independent Non-Executive Director	4/4
Navid Chamdia	Non-Independent Non-Executive Director	3/4

Summary of work undertaken by Audit Committee during the year under review is as listed below :-

- (a) reviewed and deliberated with the Manager's management the quarterly financial results to recommend to the Board for approval and release to Bursa Malaysia. Consideration was given by Audit Committee to understand financial results of each properties with close attention given to update under "Prospects"
- (b) reviewed list of related party transactions every quarter to determine whether there has been any material change as compared to the previous quarter and whether the transactions have been established under normal commercial terms that are no less favourable than those arranged with independent parties
- (c) reviewed the internal control plan prepared by BDO Governance Advisory Sdn Bhd ("BDO") and its availability of staff
- (d) on 26 July 2018, a meeting was held by Audit Committee with BDO to assess the internal control review report prepared by them. BDO gave explanation on findings of review, proposed recommendations and corresponding Manager's responses, which were noted by the Audit Committee
- (e) reviewed audit plan with external auditor, KPMG PLT by understanding its audit methodology, significant risk areas and accounting policies / disclosures and timing. KPMG PLT were also asked of its succession planning of its key personnel leading the audit and sufficiency of resources.
- (f) on 29 January 2019, the Audit Committee were briefed privately by KPMG PLT (without presence of the Manager's management) on status of its audit
- (g) reviewed and commented on the audit committee report and statement of risk management and internal control for inclusion into the annual report
- (h) evaluated the work scope, approach and fees to outsourced internal auditor and recommended for their engagement
- (i) evaluated the approach and fees of external auditor and recommended for their engagement for the following year

For the current year, BDO has been engaged to perform internal audit review for Pavilion REIT. Summary of its work undertaken during the year under review is as listed below :-

- (a) presented its work scope and timeframe covering key business processes of procurement to payment of property operating expenditure and property enhancement expenditure, tenancy management to collection of rentals, acquisition and divestment of investment properties as well as fund management activities
- (b) reviewed the adequacy and test the integrity of the system of internal controls
- (c) assessed compliance with policies and procedures and recommend best business practices
- (d) reviewed and identified potential areas for improvement in the effectiveness and efficiency of the processes
- (e) conducted a high level review and on-site health-check of a GST return based on the Fund's business activities and supporting documentation to ensure correct, complete disclosure and compliance
- (f) selected samplings to determine whether treatment have been correctly applied, reported in accordance with applicable tax codes and made valid tax credit claims
- (g) conducted follow up review on status of implementation of management plan pertaining to previous year internal control review
- (h) presented findings of internal audit review to Audit Committee members

Audit and Non-Audit Fees

Audit and non-audit fees payable to the external auditor of Pavilion REIT for the current financial year amounted to RM200,000 and RM87,000 respectively.