



Armed Forces and Police Mutual Benefit Association, Inc.

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REVISED AUDIT COMMITTEE CHARTER (as of 28 September 2017)

I. Purpose

The Committee's purpose is to ensure a thorough review of the financial reporting process and system of internal control, the audit process and the Association's process of monitoring compliance with the existing laws and regulation and its own code of business conduct. Likewise, it is tasked to evaluate risk management system to minimize and control the probability/impact of unfortunate events or maximizing the realization of opportunities.

II. Principles of Good Governance

The Committee shall adhere to the principles of good corporate governance, as enumerated in the Governance Committee Charter and the Manual of Corporate Governance.

III. Scope

The Committee will have oversight over specific AFPMBAI Strategic Objectives that may be assigned by the Board of Trustees.

IV. Authority

The Board authorizes the Committee, within the scope of its responsibilities, to:

A. Seek any information it requires from:

1. Any employee who are directed to cooperate with any request made;
2. External Parties;
3. Board of Trustees, Top Management, Line Managers & Supervisors, Technical Working Group – Statutory Audit, Compliance Officer, and various Committees (Permanent & Ad-Hoc).

B. Obtain outside legal or other professional advice

C. Require the attendance of Association officers during meetings as appropriate.

The Chairman and each member of the Audit Committee, in the absence of actual knowledge of inaccuracy of certain information, would rely on the integrity and expertise of those

persons providing information to the Committee and on the accuracy and completeness of such information.

V. Resources

The Committee will have the resources and authority appropriate to discharge its responsibilities, including sole authority to engage, retain and terminate independent consultants to the Committee as it may deem necessary or helpful in carrying out its responsibilities, and to establish the fees and other terms for the retention of such consultants, such fees to be borne by the Association.

VI. Responsibilities

The Committee shall have the following responsibilities:

A. Internal Control

1. Evaluate whether Management is setting the appropriate “control measures” by communicating to all employees the importance of internal control and the management of risk, and ensuring that all employees have an understanding of their roles and responsibilities.
2. Ensure that the approved recommendations made by internal and external auditors and other consultants have been implemented by the Management.
3. Assess controls concerning manual and automated systems comprising the Association’s core business, corporate finance and administration, organizational and IT supports.

B. Risk Management Assessment

1. Evaluate the adequacy and effectiveness of the risk management process and framework by seeking assurance from Management, and Internal Audit Office (IAO) to improve governance and ensure compliance with policies of the Association and requirements of regulatory agencies.
2. Exercises functional authority over the IAO which furnishes Audit Committee reportorial requirements to achieve its mandate.
3. Conduct or direct investigation to fulfil its responsibilities.

C. Financial Reporting

1. General
 - a. Gain understanding on the current areas of great financial risk and how the Management is handling these effectively.

- b. Look into, in coordination with the internal and external auditors any fraud, illegal acts, deficiencies in internal control or other similar issues including significant risks and exposures.
 - c. Review significant accounting and reporting issues, including recent professional and regulatory pronouncements, and understanding their impact on the financial statements.
 - d. Review legal matters, which could significantly affect the financial statements.
2. Annual Financial Statements
- a. Review the annual financial statements and determine whether they are complete and are consistent with the Philippine Financial Reporting Standards.
 - b. Pay particular attention to complex and unusual transactions such as restructuring charges and risk management disclosures.
 - c. Focus on judgmental areas, particularly those involving valuation of assets and liabilities; warranty, product or environmental liability; litigation reserves; and other commitments and contingencies.
 - d. Meet regularly with the management and the external auditor to review the financial statements and the results of the audit.
 - e. Review the annual report before its final publication.
3. Interim Financial Statements
- a. Require the management to brief the Committee on the status of interim financial information.
 - b. Ensure that the interim financial statements contain adequate disclosures.

D. Internal Audit

- 1. Review the activities, organizational structure, and function of the Internal Audit Office (IAO).
- 2. Review the qualifications of the Head, IAO and concur in his/her appointment, replacement, reassignment or dismissal.
- 3. Assess the fairness and accuracy of the interim financial statements and disclosures, and obtain the following:
 - a. Variance of financial results for the interim period;

- b. Changes in financial ratios and relationships in the interim financial statements are consistent with changes in the Association's operations and financing practices;
 - c. Consistent applications of the generally accepted accounting principles;
 - d. Actual or proposed changes in accounting or financial reporting practices;
 - e. Significant or unusual events or transactions; and
 - f. The Association's financial and operating controls are functioning effectively.
4. Ensure that the findings and approved recommendations made by the Head, IAO are implemented by Management.
 5. Ensure that the activities of the Internal Audit are in compliance with the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors.
 6. Ensure that a complete new external auditing firm (not same auditing firm, but with different signing partners as authorized by SEC) is hired every 4-6 years.

E. External Audit

1. Review the external auditor's proposed audit scope, timetable and approach and ensure it covers no unjustified restrictions and limitations.
2. Review the range of services provided in the context of all consulting services.
3. Evaluate qualifications and make recommendations to the Board regarding the engagement services of an external auditor, in consonance with Insurance Commission (IC), Securities and Exchange Commission (SEC) and other regulatory agencies' requirements.
4. Ensure that recommended solutions on findings by the external auditor are implemented by Management.
5. Elevate and make recommendations to the Board on the results of external audit and other similar engagements.

F. Compliance with Laws and Regulations

1. Monitor the Management's compliance with the existing laws and regulations prescribed by the regulatory bodies such as BIR, SEC, IC, etc.
2. Ensure the implementation of the recommendation/s on the result of assessment conducted by any regulatory agencies.

G. Compliance with the Association's Code of Conduct, Code of Corporate Governance, Risk Management Policy and Management Control Policy

1. Ensure employees' awareness of and adherence to the Association's Code of Conduct and the Code of Corporate Governance.
2. Review the process and get regular updates from the Management on the employees' compliance with the Code of Conduct

H. Reporting Responsibilities

1. Regularly update the Board about Committee activities and make appropriate recommendations to improve the conduct of such activities.
2. Ensure that the Board is aware of matters, which may significantly affect the financial status or affairs of the Association.
3. Elevate and make recommendations to the Board all strategic issues and significant operational issues.

I. Other Responsibilities

1. If necessary, institute special investigations and, if appropriate, hire special counsel or experts to assist in the investigation process.
2. Perform other oversight functions as directed by the Board.

VII. Membership

The Committee shall be composed of members duly appointed by the Board of Trustees. The Committee Chairman and Vice Chairman shall be elected by its members and endorsed for approval of the Board of Trustees through the Governance Committee. As far as practicable, the Chairman of the Committee should be an independent trustee. Membership in the Committee shall be co-terminus with membership in the Board.

VIII. Meetings

The Committee may meet monthly, or as needed, prior to every Board meeting. Resource persons may be invited, as needed. The Board Relations Office shall take and safekeep the Minutes of the Committee's Meetings.

IX. The Role of the Technical Working Group (TWG)

The TWG for the Committee, composed of Head IAO, IAO Supervisors and the IAO Secretary, shall perform the following tasks:

1. Provide assurance that all audit and risk assessment activities are appropriately managed to ensure quality in giving services to the stakeholders and other users of reports.

2. Provide annual assessment on the adequacy and effectiveness of the Association's processes for controlling its activities and reviewing/evaluating its risks in the areas set forth under the mission and scope of work.
3. Report significant issues related to the processes for controlling the activities of the Association, including potential improvements to those processes, and provide information concerning such issues through resolutions.
4. Provide information periodically on the status and results of the annual audit and risk management/assessment facilitation/activities and the sufficiency of Internal Audit Office (IAO) resources to include compliance of the OPRs.

X. Board Assessment of the Committee

The Committee will be assessed based on the Performance Management System approved by the Board of Trustees.

XI. Charter Review

This Charter shall be reviewed at least every two (2) years, and updated as needed. All revisions shall be submitted to the Board of Trustees for approval.

Approved by the Board of Trustees on 28 September 2017, per Board Resolution No.79 Series of 2017.