



Armed Forces and Police Mutual Benefit Association, Inc.

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REVISED AUDIT COMMITTEE CHARTER (as of 17 January 2019)

I. Purpose & Scope

The purpose of the Audit Committee is to provide a structured, systematic oversight of AFPMBAI's governance and internal control practices. In addition, the Committee assists the Board and Management by providing advice and guidance on the adequacy of the AFPMBAI's initiatives for:

- a. Values and ethics.
- b. Governance structure.
- c. Risk Management.
- d. Internal control framework.
- e. Oversight of the internal audit office, external auditors, and other providers of assurance.
- f. Financial statements and public accountability reporting.

In broad terms, the Audit Committee reviews each of the items noted above and provides the Board with independent advice and guidance regarding the adequacy and effectiveness of Management's practices and potential improvements to those practices.

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. Authority

The Audit Committee charter sets out the authority of the Audit Committee to carry out the responsibilities established for it by the Board as articulated within the Audit Committee Charter.

In discharging its responsibilities, the Audit Committee will have unrestricted access to members of the Management, employees, and relevant information it considers necessary to discharge its duties. The Committee also will have unrestricted access to records, data, and reports. If access to requested documents is denied due to legal or confidentiality reasons, the Audit Committee and/or Head, IAO will follow prescribed, Board approved mechanism for resolution of the matter.

The Audit Committee is entitled to receive any explanatory information that it deems necessary to discharge its responsibilities. AFPMBAI Management and staff should cooperate with Audit Committee requests.

The Audit Committee may engage independent counsel and/or other advisors it deems necessary to carry out its duties.

The Audit Committee expects that all communication with Management and staff of the organization as well as with any external assurance providers will be direct, open and complete.

The Audit Committee is empowered to:

- a. Appoint, compensate, and oversee all audit and non-audit services performed by the auditors, including the work of any registered public accounting firm employed by AFPMBAI.
- b. Resolve any disagreements between Management and the External Auditor regarding financial reporting and other matters.
- c. Preapprove all auditing and non-audit services performed by auditors.

IV. 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.

V. Responsibilities

It is responsibility of the Audit Committee to provide the Board with independent, objective advice on the adequacy of Management's arrangements with respect to the following aspects:

1. Values and Ethics

To obtain reasonable assurance with respect to the organization's values and ethics practices, the Audit Committee will:

- a. Review and assess the policies, procedures, and practices established by the governing body to monitor conformance with its code of conduct and ethical policies by all managers and staff of AFPMBAI.
- b. Provide oversight of the mechanisms established by Management to establish and maintain high ethical standards for all of the managers and staff of the organization.
- c. Review and provide advice on the systems and practices established by Management to monitor compliance with laws, regulations, policies, and standards of ethical conduct and identify and deal with any legal or ethical violations.

2. Organizational Governance

To obtain reasonable assurance with respect to the AFPMBAI's governance process, the Audit Committee will review and provide advice on the governance process established and maintained within the organization and the procedures in place to ensure that they are operating as intended.

3. Risk Management

To obtain reasonable assurance with respect to the AFPMBAI's risk management practices, the Audit Committee will review and provide advice on the risk management process established and maintained by Management and the procedures in place to ensure that they are operating as intended.

4. Fraud

To obtain reasonable assurance with respect to the AFPMBAI's procedures for the prevention and detection of fraud, the Audit Committee will:

- a. Oversee Management's arrangements for the prevention and deterrence of fraud.
- b. Ensure that appropriate action is taken against known perpetrators of fraud.
- c. Challenge Management and internal and external auditors to ensure that the entity has appropriate antifraud programs and controls in place to identify potential fraud and ensure that investigations are undertaken if fraud is detected.

5. Control

To obtain reasonable assurance with respect to the adequacy and effectiveness of the AFPMBAI's controls in responding to risks within the AFPMBAI's governance, operations and information systems, the Audit Committee will:

- a. Consider the effectiveness of the AFPMBAI's control framework, including information technology security and control.
- b. Review and provide advice on the control of the AFPMBAI as whole and its individual units.
- c. Receive reports on all matters of significance arising from work performed by other providers of financial and internal control assurance to senior Management and the Board.

6. Compliance

The Audit Committee will:

- a. Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of Management's investigation and follow-up (including disciplinary action) of any instances of noncompliance.
- b. Review the observations and conclusions of internal and external auditors and the findings of any regulatory agencies.
- c. Review the process for communicating the code of conduct to the AFPMBAI's personnel and for monitoring compliance.

7. Internal Audit

To obtain reasonable assurance with respect to work of the Internal Audit Office, the Audit Committee will:

- a. Review and approve the internal audit charter at least annually. The charter should be reviewed to ensure that it accurately reflects the internal audit

- activity's purpose, authority, and responsibility, consistent with the mandatory guidance of The IIA's International Professional Practices Framework and the scope and nature of assurance and consulting services, as well as changes in the financial, risk management, and governance processes of the organization and reflects developments in the professional practice of internal auditing.
- b. Advise the Board about increases and decreases to the requested resources to achieve the internal audit plan. Evaluate whether any additional resources are needed permanently or should be provided through outsourcing.
 - c. Advise the Board regarding the qualifications and recruitment, appointment, and removal of the Head, IAO.
 - d. Provide input to Management related to evaluating the performance of the Head, IAO.
 - e. Recommend to Management or the governing body the appropriate compensation of the Head, IAO.
 - f. Review and provide input on the internal audit activity's strategic plan, objectives, performance measures, and outcomes.
 - g. Review and approve proposed risk-based internal audit plan and make recommendations concerning internal audit projects.
 - h. Review and approve the internal audit plan and engagement work program, including reviewing internal audit resources necessary to achieve the plan.
 - i. Review the internal audit activity's performance relative to its audit plan.
 - j. Review internal audit reports and other communications to Management.
 - k. Review and track Management's action plans to address the results of internal audit engagements.
 - l. Review and advise Management on the results of any special investigations.
 - m. Inquire from the Head, IAO whether any internal audit engagements or non-audit engagements have been completed but not reported to the Committee; if so, inquire whether any matters of significance arose from such work.
 - n. Inquire from the Head, IAO whether any evidence of fraud has been identified during internal audit engagements and evaluate what additional actions, if any, should be taken.
 - o. Inquire from the Head, IAO about steps taken to ensure that the internal audit activity conforms with The IIA's International Standards for the Professional Practice of Internal Auditing (Standards).
 - p. Ensure that the internal audit activity has a quality assurance and improvement program and that the results of these periodic assessments are presented to the Audit Committee.
 - q. Ensure that the internal audit activity has an external quality assurance review every five years.
 - r. Review the results of the independent external quality assurance review and monitor the implementation of the internal audit activity's action plans to address any recommendations.
 - s. Advise the Board about any recommendations for the continuous improvement of the internal audit activity.

8. External Auditors

To obtain reasonable assurance with respect to work of the external assurance providers, the Audit Committee will meet with the external assurance providers during the planning phase of the engagement, the presentation of the audited financial statements, and the discussion of the results of engagements and recommendations for Management.

The Audit Committee will:

- a. Review the external auditors' proposed audit scope and approach, including coordination of audit effort with the internal audit activity.
- b. Review the performance of the external auditors, and exercise final approval on the appointment or discharge of the auditors.
- c. Obtain statements from the external auditors about their relationships with the organization, including non-audit services performed in the past, and discuss the information with the external auditors to review and confirm their independence.
- d. Have regularly scheduled exclusive meetings with external auditors to discuss any sensitive matters.
- e. Monitor Management's progress on action plans.
- f. Ensure that an external auditing firm is hired every two (2) years but shall not exceed six (6) years of continuous engagement. The renewal of engagement shall be subject to performance evaluation by the Technical Working Group (TWG) Statutory Audit for the approval of the Audit Committee. In case of breach committed by the external auditor of any of the provisions in the engagement contract, the Audit Committee shall have the power to terminate the same upon written notification.
- g. Present to the Board of Trustees the result of the selection of the external auditor for Statutory Audit two (2) months prior to the Annual General Membership (AGM) Meeting so that it can be presented for approval during the AGM Meeting.

To obtain reasonable assurance that Management has acted on the results and recommendations of internal and external audit engagements, the Audit Committee will regularly review reports on the progress of implementing approved Management action plans and audit recommendations resulting from completed audit engagements.

9. Financial Statements and Public Accountability Reporting

The Audit Committee is responsible for oversight of the independent audit of the Association's financial statements, including but not limited to overseeing the resolution of audit findings in areas such as internal control, legal, regulatory compliance, and ethics.

The Audit Committee shall:

- a. Review with Management and the external auditors the results of audit engagements, including any difficulties encountered.
- b. Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- c. Review the annual financial statements, and consider whether they are complete, consistent with information known to Committee members, and reflect appropriate accounting principles.
- d. Review other sections of the annual report and related regulatory filings and consider the accuracy and completeness of the information before it is released.
- e. Understand with Management and the external auditors all matters required to be communicated to the Audit Committee under generally accepted external auditing standards.

- f. Understand strategies, assumptions and estimates that Management has made in preparing financial statements, budgets, and investment plans.
- g. Review how Management develops interim financial information and the nature and extent of internal and external auditor involvement in the process.
- h. Review interim financial reports with Management and external auditors before filing with regulators, and consider whether they are complete and consistent with the information known to Committee members.

10. Reporting Responsibilities

The Audit Committee will report to the Board annually, summarizing the Committee's activities and recommendations. The report may be delivered during an Audit Committee meeting attended by the Board or during a regularly scheduled meeting of the Board.

The report should include the following:

- a. A summary of the work the Audit Committee performed to fully discharge its responsibilities during the preceding year.
- b. A summary of Management's progress in addressing the results of internal and external audit engagement reports.
- c. Details of meetings, including the number of meetings held during the relevant period and the number of meetings each member attended.
- d. Information required, if any, by new or emerging corporate governance developments.
- e. The Committee's report to the governing body at any time regarding any other matter it deems of sufficient importance.

11. Other Responsibilities

In addition, the Audit Committee will:

- a. Perform other activities related to this charter as requested by the governing body.
- b. Institute and oversee special investigations as needed.
- c. Regularly evaluate its performance and that of its individual members.

VI. Membership

The Audit Committee will consist of five (5) members. The members should collectively possess sufficient knowledge of audit, finance, specific industry knowledge, IT, law, governance, risk and control. Because the responsibilities of the Audit Committee evolve in response to regulatory, economic, and reporting developments, it is important to periodically re-evaluate members' competencies and the overall balance of skills on the Committee in response to emerging needs.

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



VII. Meetings

- a. 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 safe keep the Minutes of the Committee's Meetings.
- b. The meeting shall be deemed valid as long as the quorum is obtained.
- c. The Audit Committee will establish and communicate its requirements for information, which will include the nature, extent, and timing of information. Information will be provided to the Audit Committee at least 3 working days prior to each Audit Committee meeting.
- d. The chair will establish agendas for Audit Committee meetings in consultation with Audit Committee members, senior Management, and the Head, IAO.
- e. The Audit Committee will schedule, and hold if necessary, a private session with the President/CEO, Head, Finance, Head, IAO, external assurance providers, and with any other officials that the Audit Committee may deem appropriate at each of its meetings.
- f. Board Relation Office will facilitate and coordinate meetings as well as provide ancillary support to the Committee, as time and resources permit.
- g. Minutes will be prepared in accordance with applicable law, regulation, bylaw, policy, procedure, and/or other applicable requirements. Meeting minutes will be provided in draft format at least two weeks after the Audit Committee meeting.

VIII. Conflict(s) of Interest

Audit Committee members should adhere to the AFPMBAI's code of conduct and any values and ethics established. It is the responsibility of the Audit Committee members to disclose any conflict of interest or appearance of a conflict of interest to the Committee. If there is any question as to whether Audit Committee member(s) should recuse themselves from a vote, the Committee should vote to determine whether the member should recuse himself or herself.

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

There shall be a Technical Working Group for the Committee, composed of Head IAO, IAO Supervisors and the IAO Secretary with the following tasks:

- a. 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.
- b. 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.
- c. 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.
- d. 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.
- e. Provide the Audit Committee related services and support to its mandate.

X. Orientation and Training

Audit Committee members will receive formal orientation training on the purpose and mandate of the Committee and on the organization's objectives. A process of continuing education will be established.

XI. Board Assessment of the Committee

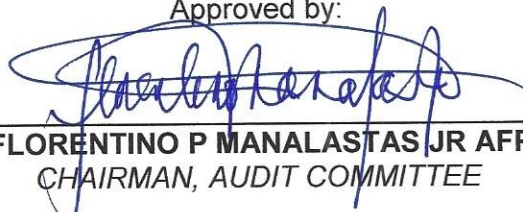
The Committee will be assessed based on the Performance Management System approved by the Board of Trustees.

XII. 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 _____, per Board Resolution No. __, Series of 2019.

Approved by:



BGEN FLORENTINO P MANALASTAS JR AFP (RET)
CHAIRMAN, AUDIT COMMITTEE



RADM JANDE S FRANCISCO AFP
VICE CHAIRMAN, AUDIT COMMITTEE



CSUPT ALLAN S IRAL BJMP
MEMBER



BGEN ERICKSON R GLORIA, AFP
MEMBER



SSUPT JOSE MELENCIO C NARTATEZ JR, PNP
MEMBER

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