 <b>NATCCO MBAI</b>	<b>AUDIT COMMITTEE CHARTER</b>	<b>NATCCO MBAI-GOV-05-20</b>	
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## 1. INTRODUCTION

The Insurance Commission, with its Circular Letter 2020-71, "Revised Corporate Governance for Insurance Commission Regulated Companies," has recommended the creation of Audit Committee to enhance its oversight capability over the company's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations.



## 2. PURPOSE


The purpose of this charter is to define the organization, tasks and responsibilities of the Audit Committee.

## 3. ORGANIZATION

### 3.1 Membership

- 3.1.1 The committee should be composed of at least three (3) qualified non-executive directors, the majority of whom, including the Chairman, should be independent.
- 3.1.2 All of the members of the committee must have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance.
- 3.1.3 The Chairman of the Audit Committee should not be the chairman of the Board or of any other committees.
- 3.1.4 Each Audit Committee member shall be appointed by the Board of Trustees.
- 3.1.5 The members will serve for at least one (1) year from date of appointment.

<p><b>Prepared and Endorsed by:</b></p>  <p><b>ATTY. ADOLFO IBANEZ</b> AUDIT Chairperson Date: 11/14/2020</p>	<p><b>Approved by Board of Trustees (BR #___)</b></p>  <p><b>ELLEN R. PASTORES</b> BOT Chairperson Date: 11/14/2020</p>
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### 3.2 Meetings


The committee shall meet at least every quarter or as necessary. This can be done in person or virtual.

## 4. AUTHORITY AND RESPONSIBILITIES



The following are the functions of the Audit Committee, among others:


- 4.1 Recommends the approval of the Internal Audit Charter (IA Charter), which formally defines the role of Internal Audit and the audit plan as well as oversees the implementation of the IA Charter;
- 4.2 Through the Internal Auditor (IA), monitors and evaluates the adequacy and effectiveness of the corporation's internal control system, integrity of financial reporting, and security of physical and information assets. Well-designed internal control procedures and processes that will provide a system of checks and balances should be in place in order to:
  - (a) safeguard the company's resources and ensure their effective utilization
  - (b) prevent occurrence of fraud and other irregularities,
  - (c) protect the accuracy and reliability of the company's financial data, and
  - (d) ensure compliance with applicable laws and regulations.
- 4.3 Recommends the appointment and removal of the company's external auditor.
- 4.4 assessing the integrity and independence of external auditors;
- 4.5 exercising effective oversight to review and monitor the external auditor's independence and objectivity; and

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- 4.6 exercising effective oversight to review and monitor the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements.
- 4.7 Prior to the commencement of the audit, discusses with the External Auditor the nature, scope and expenses of the audit, and ensures the proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;
- 4.8 Evaluates and determines the non-audit work, if any, of the External Auditor, and periodically reviews the non-audit fees paid to the External Auditor in relation to the total fees paid to him and to the corporation's overall consultancy expenses. The committee should disallow any non-audit work that will conflict with his duties as an External Auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the corporation's Annual Report and Annual Corporate Governance Report;
- 4.9 Reviews and approves the Interim and Annual Financial Statements before their submission to the Board, with particular focus on the following matters:
- 4.9.1 Any change/s in accounting policies and practices;
  - 4.9.2 Areas where a significant amount of judgment has been exercised;
  - 4.9.3 Significant adjustments resulting from the audit;
  - 4.9.4 Going concern assumptions;
  - 4.9.5 Compliance with accounting standards; and,
  - 4.9.6 Compliance with tax, legal and regulatory requirements.
- 4.10 Reviews the disposition of the recommendations in the External Auditor's management letter;
- 4.11 Performs oversight functions over the corporation's Internal and External Auditors. It ensures the independence of Internal and External Auditors, and that both auditors are

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given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;

- 4.12 Coordinates, monitors and facilitates compliance with laws, rules and regulations; recommends to the Board the appointment, reappointment, removal and fees of the External Auditor, duly accredited by the Commission, who undertakes an independent audit of the corporation, and provides an objective assurance on the manner by which the financial statements should be prepared and presented to the members.



The Audit Committee meets with the Board at least every quarter without the presence of the President or other management team members, and periodically meets with the head of the internal audit.

## 5. EFFECTIVITY

This charter will take effect upon the approval of the Board of Trustees.

## 6. REVIEW OF CHARTER

The charter will be reviewed by the Audit Committee. Change/s will be approved by the Board of Trustees.

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