



AUDIT AND COMPLIANCE COMMITTEE CHARTER

I. Purpose:

The primary purpose of the Committee is to enhance the oversight capability over the Association's financial reporting, internal control system, internal and external control processes, and compliance with applicable rules and regulations. The Internal Audit Department is an important component of the Committee, which furnishes analysis, appraisals, recommendations, and pertinent comments concerning the activities examined.

The Committee studies, inspects and examines the audit and compliance conditions of the Association through the report of the findings of the Audit and Compliance, which in turn reports to the Committee and to the members of the Board.

The specific objectives of the Committee are to ensure compliance:

- a. With policies, procedures, rules, and regulations are set forth in the By-Laws of the Association, as well as those promulgated by the Board of Trustees through resolutions and those developed by the Management Committee through memorandum.
- b. With the rules and regulations of the Insurance Commission particularly that of the amended Insurance Code (R.A. 10607) and those that are circularized by the Insurance Commission, and other regulatory agencies, as may be applicable to the Association.

II. Composition:

The Committee shall consist of at least three (3) member Trustees, majority of whom, including the Chairman, should preferably be independent and who shall be elected annually by the members of the Board from among its members. The members must have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing, finance, specific industry knowledge, IT, law, governance, risk and control.

Within ten (10) days after the annual meeting, the newly elected members of the Committee shall hold a meeting to elect from among themselves, a Chairman and a Secretary. As far as practicable, the Committee Chairman should be an Independent Trustee.

III. Meetings:

The Committee shall meet as required but should at least meet once a month.

IV. Duties and Responsibilities:

A. INTERNAL AUDIT

- a. Ensure prompt action and/or recommendation or resolution of Audit-Compliance findings.

- b. Recommends the approval 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;
- c. Through the Internal Audit (IA) Department, 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;
- d. Reviews and approves the Interim and Annual Financial Statements before their submission to the Board, with particular focus on the following matters:
 - (a) Any change/s in accounting policies and practices
 - (b) Areas where a significant amount of judgment has been exercised
 - (c) Significant adjustments resulting from the audit
 - (d) Going concern assumptions
 - (e) Compliance with accounting standards
 - (f) Compliance with tax, legal and regulatory requirements
- e. 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 given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions.
- f. Perform special assignments as requested by the Board of Trustees.

B. EXTERNAL AUDITORS

- a. Ensure that an external auditing firm for the Association's statutory audit is hired.
- b. Ensure that the selection of external auditing firm for the Association's statutory audit is conducted in accordance with the existing policies and guidelines.
- c. Recommend to the Board of Trustees the appointment, reappointment, removal in case of breach of any of the provisions in the engagement contract, and fees of the External Auditor, duly accredited by the Insurance 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. This is for endorsement and approval by the General Membership during the Annual General Membership Meeting.
- d. Review the external auditors' proposed audit scope and approach, including coordination of audit effort with the internal audit activity.
- e. 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.
- f. Evaluate and determine the non-audit work, if any, of the External Auditor, and periodically review the non-audit fees 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 Association's Annual Report and Annual Corporate Governance Report.
- g. Schedule exclusive meetings with external auditors, whenever necessary, to discuss any sensitive matter.
- h. Monitor Management's progress on action plans.

C. COMPLIANCE

- 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 non-compliance.
- 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 MTMAS' personnel and for monitoring compliance.

D. 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.

V. ORIENTATION AND TRAINING

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.

VI. 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 2022.



June 8, 2022

BOARD RESOLUTION NO. 39-2022

APPROVAL OF THE AUDIT AND COMPLIANCE CHARTER

WHEREAS, the Compliance Committee was created in January 2019 in order to ensure compliance with the laws and regulations implemented by the Insurance Commission and with the Association's policies and procedures;

WHEREAS, the Audit Committee and Compliance Committee was merged in January 2022;

WHEREAS, there is a need to revised the existing Audit Committee Charter to include Compliance Committee Charter;

BE IT RESOLVED: that the AUDIT AND COMPLIANCE COMMITTEE CHARTER prepared by the Audit and Compliance Committee be approved as presented.

[REDACTED]
JENNIFER S. LACSON
Chairman

[REDACTED]
BUDDY H. ARCANGEL
Vice-Chairman

[REDACTED]
PAULINA L. SEMBRANO
Director

[REDACTED]
EVELYN L. DIMAGIBA
Director

[REDACTED]
REY DAVID S. LACSON
Director

[REDACTED]
ANGELITA V. ALFANTE
Director

[REDACTED]
APRIL ANNE T. ALCANTARA
Director

[REDACTED]
REGINO J. LACSON
Director

[REDACTED]
VIRGILIO S. LACSON
Director

[REDACTED]
MARY ELLEN S. LACSON
Director

[REDACTED]
FILOMENA S. LACSON
Corporate Secretary