



Audit Committee Charter

KCCDFI Mutual Benefit Association, Inc.

BOARD AUDIT COMMITTEE CHARTER

BACKGROUND

The Audit Committee is being set up by the Board 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.

DEFINITION OF TERMS

As used herein, the following terms shall have the following respective meanings:

1. Audit Committee – shall mean the KCCDFI Mutual Benefit Association (KCCDFI MBA), Inc. Board Audit Committee.
2. Board – shall mean the KCCDFI Mutual Benefit Association (KCCDFI MBA), Inc. Board of Trustees
3. Internal Audit – shall mean the Internal Audit Office (IAO) of KCCDMFI which performs the internal audit functions/services in KCCDFI MBA. It submits reports directly to the Audit Committee of KCCDFI MBA.

COMPOSITION

The Committee shall composed of at least three (3) appropriately qualified non-executive trustees, the majority of whom, including the chairman shall be independent. Members of the committee must have relevant background, knowledge, skills and/or experience in the areas of accounting, auditing and finance. The audit committee chairman should not be the chairman of the Board of Trustees.

The office of the Corporate Secretary shall function as the Secretariat of the Audit Committee.

FUNCTIONS

The Audit Committee is responsible for overseeing the senior management in establishing and maintaining an adequate, effective and efficient internal control framework. It ensures that systems and processes are designed to provide assurance in areas including reporting monitoring compliance with laws, regulations and internal policies, efficiency and effectiveness of operations, and safeguarding of assets.

DUTIES AND RESPONSIBILITIES

The Audit Committee shall have the following duties and responsibilities:

- a. Recommends the approval of the Internal Audit Charter (IA Charter), which formally defines the role of the Internal Audit and the audit plan as well as oversees the implementation of the IA Charter;
- b. 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, protect the accuracy and reliability of the company's financial data, and (d) ensure compliance with applicable laws and regulations;
- c. The Audit Committee exercises oversight of external auditors. It is primarily responsible for the selection and appointment of the external auditors, subject to ratification of the general membership. The Committee also facilitates the approval / disapproval of the corresponding service fees. Moreover, they handle the performance evaluation on the external auditor's suitability and effectiveness on an annual basis and if necessary, the re-appointment or dismissal of the external auditors.
- d. 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;
- e. 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;
- f. Reviews and approves the Interim and Annual Financial Statements before their submission to the Board, with particular focus on the following matters:
 - i. Any change/s in accounting policies and practices
 - ii. Areas where significant amount of judgement has been exercised
 - iii. Significant adjustments resulting from the audit
 - iv. Going concern assumptions
 - v. Compliance with accounting standards
 - vi. Compliance with tax, legal and regulatory requirements

- g. Reviews the disposition of the recommendations in the External Auditor's management letter;
- h. Performs oversight functions over the corporation's Internal and External Auditors. It ensures the integrity and 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;
- i. Coordinates, monitors and facilitates compliance with laws, rules and regulations;
- j. Recommends to the Board the appointment, reappointment, removal and fees of the External Auditor, duly accredited by the Insurance Commission, who undertakes and 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 stockholders; and
- k. Performs other tasks, as the board may from time to time designate.

MEETING REQUIREMENTS

The Audit Committee shall meet quarterly or as necessary, to enable it to fulfill its responsibilities. The Audit Committee shall meet at the call of its Chairman, preferably in conjunction with regular Board Meetings. A majority of the members of the Audit Committee shall constitute a quorum. The Audit Committee shall act on the affirmative vote of a majority of members present at a meeting. Without a meeting, the Audit Committee may act by unanimous written consent of all members.

The Secretariat shall attend Audit Committee meetings and prepare minutes which shall be available two (2) weeks after the meeting. The Audit Committee shall keep written minutes of its meetings, which shall be recorded or filed with the books and records of KCCDFI MBA, Inc.

REVIEW OF CHARTER

This charter may be review annually and may be change as may be deemed necessary, subject for approval of the Board of Trustees.