

NATCCO MBAI
Report of the Oversight and Audit Committee

The Audit Committee represents and assists the Board of Trustees in fulfilling its oversight responsibilities by reviewing the financial information which are provided to the members and other stakeholders, the system of internal controls which management and the Board of Trustees have established, and NATCCO MBAI's audit and financial reporting and risk management processes for compliance with laws and regulations.

Governance

In 2016, the Board of Trustees has conducted ___ meetings and passed ___ resolutions. While the Audit and Nominations Committees had 3 and 2 meetings conducted respectively.

The policies and procedures on hand and maintained as checked are as follows:

- Accounting and operations manual
- Corporate governance
- Code of conduct
- HR manual
- Article of cooperation and by-laws
- IRR

Internal Control

The Audit Committee association's auditor conducted audit to check on compliance to regulations, policies and audit recommendations. For 2015, MBAI addressed 5 out of 5 recommendations from the external auditor and 2 out of 3 recommendations from the internal auditor.

Recommendations	Status as of March 31, 2017
<i>From 2015 External Auditor (5):</i>	
We recommend that the Association must immediately terminate the existing practice of recognizing income upon collection and implement simplified approach in recognizing insurance revenue (premium allocation approach), as required under PFRS and SCA for MBA	DONE
Ascertain correctness of insurance revenue recognized. The Association must regularly reconcile premium and contribution received to the insurance revenue	DONE
We recommend that the Association must accrued admin charges, proportionate to accrual of gross premium earned	DONE
Strictly ensure prompt deposits of collection at all time.	Strictly implemented
The Association must update its certificate of registration	DONE
<i>From the MBAI Auditor (3):</i>	
On accounting process	

c. Strictly implement MBI policy stating that the signatories of a check must review the payment voucher and put their initials on it if they are not the one who approved the said voucher.	Revised policy made, approved and implemented.
d. Management should prioritize installation of database management system and accounting software to facilitate timely generation of reports and to address issues on monitoring and recording of equity accounts.	DONE

There are also 3 recommendations from the internal auditor that still needs to be addressed. Those that remain open are the following:

Findings	Recommendation
From MBI Auditor 2015:	
Property Management MBI already implemented the property management procedure and that property pull out request form, release form and property accountability forms are in-placed. However, property tagging is not yet done as of the audit date. Thus, management should implement NATCCO MBI policy on property management.	Need to update the list and individual property accountability report. Official transfer record of property need to be implemented. Improve property coding.
From MBI Auditor 2016	
No communication received from regulatory bodies regarding non-compliance. However, the license to operate is still on process.	Seek for official document.
Trainings of officers on AMLA and corporate governance. 6 out of 10 officers have completed AMLA training and 5 for Corporate Governance.	All officers must comply with the requirement.

The Audit Committee recommends to retain Banaria and Banaria as external auditor of the association.

Performance Audit

IC Circular Letter number 5-2011 dated January 31, 2011 provides that “the Performance Standards for Microinsurance are hereby adopted as the Microinsurance industry benchmarks in assessing and evaluating the operations of all microinsurance providers beginning calendar year 2011”.

NATCCO MBI in 2016 got a score of 69 out of 100 points. The Association still has to improve its performance on efficiency (operating expense and claims), governance (requirements on Corporate Governance) and understanding the value of microinsurance by the clients.

Financial Reporting

The external audit of the Association was conducted by Banaria Banaria and Company. Exit conference was conducted where the Manager, Bookkeeper and Auditor attended. Issues, concerns and recommendations were discussed.

An unqualified opinion was rendered by the Auditor. The auditor certified that the Association's Financial Statements present fairly, in all material respects, the financial position of NATCCO MBAI as of December 31, 2016 and 2015, and of its financial performance and its cash flows for the years then ended, in accordance with the Philippine Financial Reporting Standards.

The Committee affirms the opinion of the auditor that the financial statements are true and fairly present the performance of NATCCO MBAI. The Committee also ensure its compliance to all regulatory requirements of the Government.