

## **AUDIT COMMITTEE**

### **MINUTES OF MEETING**

March 12, 2018, 9:20 a.m. to 11:10 a.m.

### **ATTENDEES PRESENT**

Ma. Veronica B. Sierra  
Ellen R. Pastores,  
Leonardo S. Banga,

### **AGENDA**

- Drafted 2017 Audited Financial Statements
- External Auditor's findings

### **DISCUSSION**

1. There were three audit findings and exceptions:
  - Payment of audit fee, compilation services of 2016 AFS and 2016 actuarial were reclassified to Free and Unassigned Fund Balance as Prior Period Adjustment. The Auditor proposed adjustment and was accepted and implemented.
  - Amount of compensation per returns were not tally with record per books. NMBAI accountant will reflect taxable and non-taxable and difference from compensation will be reclassified to Other Welfare and Benefits.
  - Non-withholding of taxes on technical and professional fees.
    - Trustee Banga and Trustee Sierra suggested to follow the recommendation of external auditor regarding proper remittance of taxes for Human Resource Services. Trustee Banga recommended to practice proper procedure of tax transfer/payment (including filing of BIR Form 2307) according to BIR rules. Trustee Pastores recommended that the implication of this action to NATCCO MBI should first be checked and if the current procedure is acceptable or not as per BIR ruling.
    - Trustee Sierra recommended that Human Resource Services contract should be reviewed and be subjected for renewal. Trustee Pastores seconded since there is a new withholding tax rate as per TRAIN law, it is now 8% from the old rate of 10% which is also reflected to the current contract with NATCCO Human Resource.
    - Trustee Banga proposed that payroll preparation separate from NATCCO should be considered for confidentiality purposes. The new HR contract with NATCCO

should cover only be limited to selection, hiring, evaluation, use of HRIS but should not include computation of salary and benefits, computation of SSS, HDMF and Philhealth including its payment.

2. Trustee Pastores recommended that Insurance Commission ruling (i.e. Circular Letter 2017-29) vis-à-vis Related Party Transaction should be reflected on Note 26 of Audited Financial Statements to emphasize that there are no related party transactions.
3. Trustee Pastores suggested the monitoring of Assigned Fund Balance since other portion of which is unable to fully utilize. In addition, refer to Insurance Commission regarding the Actuary's question," if Assigned Funds can be reallocated to Free and Unassigned Funds, if the latter becomes deficient".
4. Trustee Banga proposed to have a bigger office space for files/documents' storage and also for staff to have a comfortable workstation. Trustee Pastores seconded since having a separate office can also resolve privacy issues.

**MINUTE TAKER:** Kristine C. Ramirez