

## 2016 Audit Committee Report

The Audit Committee assists the Board in fulfilling its responsibilities for policy formulation and for oversight of GSIS's financial reporting process, the system of internal control, the audit process, and the process for monitoring compliance with laws, rules, regulations and code of conduct.

The Audit Committee operates under a written charter. The Committee meets at least once a month.

Previously all of the Trustees were members of the Committee and for quorum purposes, they have designated among themselves three (3) core members, and a Chairperson from among the core members.

The appointment of new Trustees in the last quarter of 2016 saw a shift in Committee membership and modification of rules with regard to the Trustees' attendance in Committee meetings. The new Board also appointed among themselves the core members of each Committee. This time, only the core members are required to attend Committee meetings.

For 2016, the Audit Committee had a total of seven (7) meetings. Attendance was as follows:

<b>Trustee (Outgoing)</b>	<b>Number of Meetings Attended</b>
Roman Felipe S. Reyes (Chairman)	6
Mario J. Aguja (Core Member)	6
Romeo M. Alip (Core Member)	7
Robert G. Vergara (Member)	6
Gregorio T. Yu (Member)	6
Geraldine Marie Berberabe-Martinez (Member)	6
Karina Constantino-David (Member)	6
Renato T. De Guzman (Member)	3
Elisea G. Gozun (Member)	6

<b>Trustee (Newly appointed)</b>	<b>Number of Meetings Attended</b>
Jocelyn D. Cabreza (Chairperson)	1
Alan R. Luga	1
Nina Ricci Y. Chiongbian	1

The Audit Committee provides oversight of the GSIS's internal audit function and exercises functional authority over the Internal Audit Services Office (IASO). IASO's main responsibility is the appraisal of the soundness and adequacy of internal control in the various operations of the GSIS. This responsibility is carried out through the

conduct of audit or reviews and presentation of its results through a report submitted to the Audit Committee and the President and General Manager.

The IASO regularly submits its annual Plans and Programs to the Audit Committee for approval. In 2016, IASO has submitted a total of twenty-nine (29) reports involving FS review and audit/review of various operations of the GSIS. All IASO recommendations were regularly monitored as to the operating units concerned (OUC)'s compliance, until fully implemented and complied. A semi-annual compliance report was done to check on the status of compliance as of a cut-off date. Overall, the system of internal control employed by the GSIS is effective and adequate.

The Audit Committee reviews the monthly and annual financial statements of the GSIS, focusing particularly on Management's certification as to the reliability of the financial statements, significant financial reporting issues and judgments made in connection with the preparation of the financial statements, any proposed or actual change/s in accounting policies and practices, significant adjustments resulting from audit, and compliance with accounting standards and applicable laws. It endorsed to the Board for approval the Audited Financial Statements for the year 2015 and monitored Management's actions to address issues raised by the Commission on Audit.

Further, the Audit Committee, after due deliberation, endorsed the following to the Board:

1. The Proposed Changes in the Appropriated Surplus of the Social Insurance Fund and the Administered Funds of the GSIS as of 31 December 2015.
2. The 2015 Distribution of Cash Dividends to GSIS Optional Life Insurance Policyholders and the Appropriation of Funds.
3. The Proposed 2017 Corporate Operating Budget as recommended by the SVP, Controller Group, subject to the comments of the Committee during the meeting.