

## 2019 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 is headed by Trustee Jocelyn G. Cabreza.

The Audit Committee operates under a written charter and meets at least once a month. A majority of the Trustees present during the meeting constitutes a quorum.

For 2019, the Audit Committee had a total of **twelve (12)** meetings.

<b>Trustee</b>	<b>Number of Meetings Attended</b>
Chairperson Jocelyn G. Cabreza	12
Board Chairman and Acting PGM Rolando L. Macasaet	12
Former PGM Jesus Clint O. Aranas*	5
Trustee Wilfredo C. Maldia	12
Trustee Alan R. Luga	12
Trustee Anthony B. Sasin	12
Trustee Nina Ricci Ynares-Chiongbian	12
Trustee Kahar H. Macasayon	12
Trustee Carlo Antonio B. Almirante	12

\*Jesus Clint O. Aranas resigned as President and General Manager effective 3 July 2019

The Committee provides oversight of GSIS's internal audit function. This function is exercised through the Internal Audit Services Office (IASO). The Committee has functional authority over the 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/reviews and presentation of its result/s through a report submitted to the Audit Committee and the President and General Manager.

The IASO regularly submits its Annual Audit Plan to the Audit Committee for approval. IASO has submitted a total of thirty-seven (37) reports involving FS review and audit/review of various operations of the GSIS. All IASO recommendations arising from the said review and audit are monitored as to the operating units concerned (OUC)'s compliance, until fully implemented and complied. A semi-annual compliance report is 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 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.

Key actions of the Committee for the year include the following:

1. Reviewed the Annual Audit Report of the Commission on Audit (COA) and monitored compliance of Management with recommendations made;
2. Approved the Supplemental Budget and Terms of Consultancy for the formulation of the Audit Rating System;
3. Directed the exclusion of the dunning of housing loan accounts to prevent overstatement in balance sheet;
4. Directed the Controller Group to spearhead the cleansing of the Sundry Accounts Payable which are more than one year;
5. Introduced further improvement on the Policy and Procedural Guidelines (PPG) on Lease of GSIS Acquired Assets Classified as Big and Medium Ticket Accounts which could increase the rental income of the GSIS;
6. Directed the IASO to conduct a risk-based audit on the process of cleansing the unreconciled accounts and clarificatory items;
7. Directed the creation of a Task Force and/or unit for the cleansing of all open items;
8. Directed the CCO to include in the GSIS information drive a campaign apprising members of the effects of non-payment of their loan obligations;
9. Ensured that Web Membership Service Profile is being fully utilized.
10. Ensured the full utilization of Transaction Monitoring System (TMS) for General Insurance transactions in All GSIS Branches.
11. Ensured that the granting of the GSIS Financial Assistance Loan (GFAL) are within set targets;
12. Initiated the gradual decrease of the turn-around-time (TAT) of the issuance of the letter of authority processes involved in the Motor Vehicle Insurance after 2019, and, to include as internal target in 2019, the 15 days TAT for the issuance of LOA;
13. Improved the TAT on the processing of non-motor vehicle claims;
14. Fast-tracked the decentralization of the processing of Motor-Vehicle Insurance Claims from the GSIS Head Office to GSIS branches;
15. Initiated the 20-month premium payment as minimum requirement before the grant of a loan to members, ensuring a higher collection efficiency on loan payments by borrowers;
16. Regular monitor of the following:

- a. Accounts for Clearing;
- b. Agency Receivable Member Account (ARMA);
- c. Clarificatory Items and Unreconciled Accounts
- d. Collection Efficiency;
- e. Outstanding Claims and Unadjusted Claims Payable of the Insurance Group;
- f. Surplus Adjustments;
- g. Unapplied Collection;
- h. Cleansing of Premium Receivables;
- i. Accounts Payable specifically Sundry accounts payable – Refund to Members;
- j. Migration of Claims Records
- k. Reconciliation of housing loan accounts; and
- l. Title matching of acquired assets.

In addition, the Audit Committee, after due deliberation, endorsed the following resolutions 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 2018;
2. The Proposed Calendar Year 2020 Corporate Operating Budget;
3. The PPG on Lease of Acquired Assets Classified as Big and Medium Ticket Accounts;
4. The Proposed Changes in the Provision for Pending Litigation as of 31 December 2018;
5. The Request for Supplemental Budget for Consultancy Services for the Formulation of an Audit Rating System which would Strengthen the Internal Audit Capacity of the GSIS;
6. Revised Expected Credit Loss Calculation (ECL) Model;
7. The Request for Supplemental Budget for GFAL for 2019;
8. The Request for Supplemental Budget for Financial Assistance and Corporate Gifts
9. The Request for Payment of Various Non-Life Insurance Claims Incurred During Prior Years Chargeable Against Current Year Budget and the Appropriation of Additional Budget to Cover Processing And Payment of Prior Years' Non-Life Insurance Claims; and,
10. The 2.5% Reinsurance Commission on the National Government Indemnity Insurance Program.