

Proposal to Provide Audit Services to

**People's Bank of Caraga
Mutual Benefit Association, Inc.**

National Highway, Barangay 5, San Francisco, Agusan del Sur

For Calendar Year Ending December 31, 2020

Submitted by:

December 14, 2020

PEOPLE'S BANK OF CARAGA MUTUAL BENEFIT ASSOCIATION, INC.
National Highway, Barangay 5, San Francisco, Agusan del Sur

**Attention: Ms. Arlene S. Raro, President/Chairperson and
Ms. Linda Grace B. Arevalo, General Manager**

You have requested that we submit our proposal to audit the financial statements of **People's Bank of Caraga Mutual Benefit Association, Inc.** (to be referred to in this letter as 'Association'), which comprise the statement of financial position as at December 31, 2020, and the related statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. We are pleased to submit the proposed terms and conditions of our engagement.

If the following terms and conditions meet with your approval, we agree that this letter becomes the official document to bind us in this engagement.

SCOPE OF SERVICES

Objectives

The objectives of our audit are: (1) to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and (2) to issue an auditors' report that includes our opinion about whether the financial statements prepared in conformity with Philippine Financial Reporting Standards (PFRSs) are fairly presented in all material respects.

If our opinion is other than unqualified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, or if circumstances may arise which make it necessary for us to withdraw from the engagement, we will communicate to the Board of Trustees in writing our reasons thereof.

Methodologies

Our audit will be conducted in accordance with Philippine Standards on Auditing (PSAs), and we will indicate so in our reports. Those PSAs require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements prepared in accordance with PFRSs are free of material misstatements, whether caused by error or fraud. Absolute assurance is not attainable because of the nature of audit evidence and the characteristic of fraud. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, tests of the physical existence of assets, and direct confirmation of receivables and payables and certain other assets and liabilities by correspondence with selected debtors, creditors, and financial institutions. Consequently, our audit will involve judgment about the number of transactions to be examined and the areas to be tested.

And because we will not perform a detailed examination of all transactions, there is a risk called audit risk that material errors, fraud, or illegal acts, may exist and not be detected. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. In addition, an audit is not designed to detect immaterial errors, fraud, or other illegal acts or illegal acts that do not have a direct effect on the financial statements. Our engagement cannot, therefore, be relied upon to disclose errors, fraud, or other illegal acts that may exist. However, we will inform you of any material errors that would come to our attention. We will also inform you of any other illegal acts that would come to our attention, unless clearly inconsequential.

RESPONSIBILITIES OF THE AUDITORS

Responsibilities of the Auditors

We will conduct our audit in accordance with Philippine Standards on Auditing (PSAs). Those PSAs require that we comply with ethical requirements. As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain understanding of your internal controls sufficient to plan the audit and to determine the nature, timing, and extent of audit procedures to be performed. An audit is not designed to provide assurance on internal controls or to identify reportable conditions, that is, significant deficiencies or material weaknesses in the design or operation of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management. As part of our engagement, we will advise you about the appropriate accounting principles and their application, but the responsibility for the financial statements remains with you.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, conclude whether a material uncertainty exists related to events or conditions that may cast doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions would be based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with the Board of Trustees and Management

Our audit will include obtaining an understanding of your internal controls sufficient to plan the audit and to determine the nature, timing, and extent of audit procedures to be performed. An audit is not designed to provide assurance on internal controls or to identify reportable conditions, that is, significant deficiencies or material weaknesses in the design or operation of internal control. However, during the audit, if we become aware of such reportable conditions, we will communicate with the Board of Trustees and management, (they are the ones charged with governance in the Association) regarding any significant deficiencies in internal control that we identify during our audit.

We will prepare a written management report on our consideration of internal control and tests of compliance made as part of our audit of the financial statements. While the objective of our audit of the financial statements is not to report on the Association's internal control and we are not obligated to search for reportable conditions as part of our audit, this report will include any reportable conditions to the extent that they come to our attention. Reportable conditions are significant deficiencies in the design or operation of internal control, which could adversely affect the Association's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements under audit. It will indicate that it is intended solely for the information of the Association, and we note that the reports are not intended to be, and should not be, used by, or relied upon by, anyone other than management. This note will be mentioned in our reports as submitted to the Board of Trustees and management.

We will also provide the Board of Trustees and management with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

We will communicate with the Board of Trustees verbally or in writing any disagreements with management or any serious difficulties encountered in performing our audit services. We will also read the minutes of the Board of Trustees' meetings for consistency with our understanding of the transactions implemented by management.

Assistance in Implementing the Requirements of New PFRSs

The Association is using PFRSs as its financial reporting framework. PFRSs are continually evolving and every year new provisions are required to be implemented. For 2020, the following PFRSs are scheduled for implementation, beginning January 1, 2020:

- Amendments to The Conceptual Framework for Financial Reporting (Revised 2018)
- Amendments to PFRS 3, Definition of a Business
- Amendments to PAS/IAS 1 and PAS/IAS 8, Definition of Material
- Annual Improvements to PFRS Standards 2015-2017 Cycle

Our responsibility will include evaluating the Association's implementation of the requirements of new PFRSs in the financial statements being audited and provide assistance where required. We emphasize however that the primary responsibility of ensuring that the Association adopt the changes as required by PFRSs is that of the management of the Association.

Auditors' Responsibility Over Regulatory Requirements with SEC

[Ref. Revised Securities Regulation Code (SRC) Rule 68 (2019 Version)]

Our Firm and its Partners are accredited with the Securities and Exchange Commission (SEC) and our accreditations are current. In accordance with the provisions of the Revised Securities Regulation Code (SRC) Rule 68 (2019 Version), our responsibilities as accredited auditors include the following:

- (1) We shall report to the Association's Audit Committee (or if there is no such committee, to the Association's Chairman of the Board or to the Board of Trustees, who will likewise report to the Commission), any of the following cases which may be discovered during the audit:
 - (a) Any findings of: (i) violation of the SRC Rule 68; (ii) offering of securities without prior registration with the SEC under the SRC; or (iii) engaging in the business of financing or lending without a secondary license;
 - (b) Any material findings involving fraud or error;
 - (c) Losses or potential losses the aggregate of which amounts to at least ten percent (10%) of the consolidated assets of the Association;
 - (d) Any findings to the effect that the consolidated assets of the Association, on a going concern basis, are no longer adequate to cover the total claims of creditors, and
 - (e) Material weaknesses in internal control which may lead to financial reporting problems.
- (2) As part of our procedures, we shall (1) discuss the findings with Audit Committee, the Chairman of the Board, or the Board of Trustees, as the case maybe, and ensure the confidentiality of the information obtained during the audit, and (2) document management's explanation and/or corrective action taken regarding the adverse findings.
- (3) In case the Audit Committee fails to submit the report to the Commission, we shall, within thirty (3) business days from the submission of our findings to the Audit Committee, file a report to the Commission. The disclosure of such information to Commission shall not constitute a breach of confidentiality nor shall it be a ground for civil, criminal or disciplinary proceedings against us.

Auditors' Responsibility Over Regulatory Requirements of the Insurance Commission (IC)
(Ref: IC Circular No. 219-39, Dated August 8, 2019)

Our Firm and one Partner are included in the List of Accredited External Auditors of the IC Under Group A. We are currently in the process of applying for the initial accreditation of another partner of the Firm and we anticipate no serious issues that would exclude this Partner from being accredited.

We wish to inform you of our responsibilities as accredited auditors of the IC, as follows:

- (1) We shall report to the IC within 15 calendar days upon discovery of any of the following cases which may be discovered during our audit based on Philippine Standards on Auditing (PSAs):
 - a) Any material findings involving fraud or error;
 - b) Losses or potential losses the aggregate of which amounts to at least ten percent (10%) of the consolidated assets of the Association;
 - c) Significant doubt as to the ability of the Association to continue as a going concern;
 - d) Material breach of laws or IC rules and regulations, such as but not limited to the prescribe net worth and risk-based capital requirements;
 - e) Material internal control weaknesses which may lead to financial reporting problems;
 - f) Findings on matters of corporate governance that may require urgent action by the IC.
- (2) Should our audit disclose any or all the foregoing cases and where a thorough investigation or evaluation of facts is necessary on the noted case/s, we will submit a complete report to the IC not later than 15 days from the completion of investigation or evaluation.

- (3) We shall directly report to the IC the pre-termination of our engagement contract or our resignation/replacements as external auditors as well as the reasons thereto, within fifteen (15) calendar days of the pre-termination of the contract or our resignation/replacement.
- (4) In case there are no adverse matters to report we will submit directly to IC within 15 calendar days after the closing of the audit engagement a notarized certification that there is none to report.

Extent of Responsibility

Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods of which we are not engaged as auditors.

We also wish to emphasize that our accountability as external auditors is based on matters within the normal coverage of an audit conducted in accordance with Philippine Standards on Auditing (PSAs). The financial statements, together with the supplemental report, submitted to the SEC, BIR and the IC are the primary responsibility of the Company's Board and Management.

RESPONSIBILITIES OF MANAGEMENT

Responsibilities of Management

Our audit will be conducted on the basis that management and the Board of Trustees acknowledge and understand that they have responsibilities:

- (a) For the fair presentation, in accordance with PFRSs, of the basic financial statements and all accompanying information, as well as representations contained therein. As part of our engagement, we will review the draft of your financial statements and related notes, as well as the required reports for filing with Government agencies and may propose changes thereon based on the results of our audit. We wish to emphasize however that the primary responsibility over these reports is by the management of the Association.
- (b) For making all management decisions and performing all management functions relating to the financial statements and related notes; for designating an individual (a member of the Audit Committee, perhaps) with suitable skill, knowledge and experience to oversee the audit services we provide, and for evaluating the adequacy and results of these services.
- (c) For adopting sound accounting policies, for maintaining an adequate and efficient accounting system, for safeguarding assets, for authorizing transactions, for retaining supporting documentation for those transactions, and for devising a system of internal controls that will, among other things, help assure the preparation of proper financial statements.
- (d) For the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the Association involving the management and employees who have significant roles in internal control, and other stakeholders where the fraud could have a material effect on the financial statements; and for informing us of your knowledge of any allegations of fraud or suspected fraud affecting the Association received in communications from employees, former employees, regulators, or others.
- (e) For identifying and ensuring that the Association complies with laws, regulations, contracts and grants applicable to its activities, and for informing us of any known material violations of such laws and regulations.

- (f) For making available to us draft financial statements and any accompanying schedules of accounts and other information to allow us to complete the audit in accordance with the proposed timetable, and for providing us with: (a) access to all records, documentation and information of which management is aware that is relevant to the preparation of the financial statements; (b) additional information that we may request from management for the purpose of the audit and be responsible for the accuracy and completeness of that information, and (c) unrestricted access to persons within the Association from whom we determine it necessary to obtain audit evidence and an assurance of their full cooperation.
- (g) For guaranteeing that all records, documentation and information subjected to audit, whether it be in physical or electronic form, are authentic and accurate in all material respects. In cases of documents electronically submitted (including snapshots and scanned copies of physical documents), the management is likewise responsible for preserving their veracity and integrity and ensuring that they are faithful reproductions of their originals.
- (h) For reviewing the adjusting or correcting journal entries to your financial statements that we may propose and for understanding the nature of any proposed entries and the impact they have on the financial statements.
- (i) For adjusting the financial statements to correct material misstatements and for confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.
- (j) For informing us of facts that may affect the financial statements, of which management may become aware during the period from the date of the auditor's report to the date the financial statements are issued.

**Management's Responsibility Over Regulatory Requirements with IC
(Ref: IC Circular No. 219-39, Dated August 8, 2019)**

In accordance with provisions of IC Circular No. 2019-39, the Association's management has the following responsibilities related to this engagement:

- (1) The Association's Audit Committee/Board of Trustees shall ensure that the scope of the external audit work we will perform appropriately covers areas relevant to the Association's operations and risk exposures. These include the following:
 - a) Review of the adoption of applicable reporting framework as well as the assessment of the accuracy, adequacy, and reliability of accounting records and financial reports;
 - b) Assessment of the propriety and adequacy of the required and supplemental disclosures in the financial statements;
 - c) Assessment of the adequacy and effectiveness of internal controls and risk management policies;
 - d) Assessment of the adequacy and the Association's net worth or risk-based capital requirements; and
 - e) Evaluation of the quality of corporate governance.
- (2) The Board of Trustees and management of the Association are responsible for the financial statements that are submitted to IC. Our responsibility as external auditors is to conduct the audit of the financial statements of the Company in accordance with the provisions of PSAs.
- (3) The Association shall make available a copy of this engagement contract to IC upon request.

- (4) The Association shall be responsible for keeping us (the auditors) fully informed of existing and subsequent changes to prudential regulatory and statutory requirements of the IC and that both parties shall comply with the said requirements;
- (5) The Association shall allow us to disclose the required and supplemental disclosures of information and reports, such as those enumerated in (1) above, and that such disclosures shall not constitute a breach of confidentiality on our part nor shall it be ground for civil, criminal, or disciplinary proceedings against us;
- (6) The Association shall allow our Audit Team access to the IC examination report albeit on a read-only basis. On our part, we will ensure that the matter of our access to the examination report is treated appropriately and confidentially.
- (7) The Association (and us, as auditors) shall comply with all the requirements of IC under IC Circular No. 2019-39.

Association's Counterpart

In performing this engagement, we also expect you to provide the following as you counterpart:

Engagement of Actuarial Consultants

You will engage Actuarial Consultants to validate the actuarially computed values reflected in the financial statements being audited. We will treat the engagement of the Actuarial Consultants as Experts and accordingly we will perform our procedures based on the provisions of PSA 620 *Using the Work of an Auditor's Expert*.

Drafting of the Financial Statements and Notes

We may be requested to assist the Association in drafting the financial statements and notes. In that respect, you confirm that the Association will:

- 1) Designate the Association's Compliance Officer, or any competent officer, to be responsible and accountable for overseeing the drafting and finalizing of the financial statements;
- 2) Establish and monitor the performance of the engagement to ensure that it meets management's objectives;
- 3) Make decisions that involve management functions related to the engagement and accept full responsibility for such decisions, and
- 4) Evaluate the adequacy of the financial statements and notes.

Assistance of Your Personnel

In the conduct of our audit procedures, we understand that your employees will prepare all cash, trade and other receivables, and other account confirmations we request and will locate any documents selected by us for testing. Any failure to provide such cooperation, on a timely basis, will impede our services, and may hinder us from achieving the objectives of this engagement. We look forward to the full cooperation of your staff in the conduct of our audit.

Representation Letter to be Accomplished by Management

As required by PSAs, we will make specific inquiries of the Association about the representations embodied in the financial statements and the effectiveness of internal control and obtain a management representation letter from the Association about these matters. The responses to our inquiries, the written representations and the results of audit tests comprise the evidential matter we will rely upon in forming an opinion on the financial statements.

You will be required to acknowledge in the management representation letter that you have reviewed

and approved the financial statements and related notes prior to their issuance and have accepted responsibility over them.

Because of the importance of the Association's representations to the effective performance of our services, the Association agrees to release Quilab & Garsuta, CPAs and its personnel from any claims, liabilities, costs and expenses relating to our services under this letter attributable to misrepresentations in the management representation letter referred to above and to indemnify Quilab & Garsuta, CPAs and its personnel against any claims or legal actions resulting.

AUDIT TEAM, WORKING ARRANGEMENTS AND PROPOSED TIMETABLE

Audit Team

This engagement will be handled by the following Audit Team:

- | | | |
|--|---|------------------------|
| ○ Mr. Rico P. Quilab | - | Engagement Partner |
| ○ Ms. Ana Mariae Michelle D. Quilab-Arrabaca | - | Concurring Partner |
| ○ Ms. Estrella B. Bonggo | - | Audit Manager |
| ○ To be assigned later | - | Audit Staff Assistants |

Our staffing may change in the actual conduct of the audit in consideration of the availability of staffs at the time of our scheduled fieldworks.

Working Arrangements

We will conduct our year-end audit procedures at the Association's office in Barangay 5, National Highway, San Francisco, Agusan del Sur, where the books and records are maintained. We look forward to the full cooperation of your staff in the conduct of our audit. We trust that they will make available to us whatever records, documentation and other information that we will request relating to our audit.

We wish to emphasize that any delay due to the late submission by the Association or any of its concerned officers and employees of trial balances, reconciliation statements, statement of accounts, board resolutions, adjusting entries, other supporting documents, financial statement disclosures, or any other relevant and material data or documentation needed to complete the audit will, as a necessary consequence, push back the delivery of the final outputs relative to the timetable as agreed above. Under such circumstances, completion of audit beyond the proposed timetable shall not constitute a delay on our part as the Auditors.

Requirements Under COVID-19 Pandemic Situations

We wish to remind the Association that this proposal is submitted during the COVID-19 Pandemic. The various degrees of community quarantine protocols implemented by the Government greatly limited the movements of its citizens. Our recent experience in complying with our commitments to our clients for the 2019 audits indicated compromised procedures that involved copying/scanning of supporting documents to the figures that we audited and sending them to us via the internet. Should the situation, as has happened now, continue to exist at the time of our scheduled fieldwork visit for this engagement, we agree to comprise our procedures by copying/scanning of supporting documents and sending these to us via the internet.

Proposed Timetables

We propose to start the engagement as soon as the proposal is approved. We expect to be able to deliver our draft reports within the following timetables:

<i>Nature of Activities</i>	<i>Proposed Timeframe</i>
Planning visit	As soon as engagement is approved.
Start of year-end fieldworks	Between February 1 to March 31, 2021 (exact date to be communicated later)
Finalization of audit results	On or before March 31, 2021, or earlier.
Submission of audited financial statements	On or before April 15, 2021

We may revise the proposed schedules after we have sat down with management and determined the specific dates and activities to be accomplished. We will communicate the revised schedules with management.

EXPECTED OUTPUTS

1. Auditors' Report for the Financial Statements as at and for the Year Ended December 31, 2020.

In accordance with the terms minimum, our Auditor's Report [which is based on the ISA 700 (Revised)], which will be addressed to the Board of Trustees, should include the following:

- (1) The title and addressees, which will reflect the governance structure of the Association;
- (2) An opinion paragraphs containing (a) identification of the financial information audited and, (b) our audit opinion.
- (3) A paragraph explaining the basis for our opinion;
- (4) A paragraph describing management's responsibilities for the financial statements expanded to explain its responsibilities with respect to going concern issues, and
- (5) A paragraph listing the responsibilities of the auditors.

We may expand the report to include other information and explanations not intended as a reservation.

2. Reportorial Requirements of Insurance Commission (IC)

Our engagement will also include assistance in complying with the reports for filing IC in so far as these relate to our opinion on the audited financial statements of the Association. We are not responsible for complying with the detailed information required by IC such as those contained in the Annual Statement for the Year. However, we will assist the Association in ensuring that the data contained in the Annual Statements tie-up with the audited financial statements.

3. Preparation of Letter of Comments and Recommendations

Since we will study and evaluate the Association's system of internal accounting control to the extent we will consider necessary to evaluate the system as required by PSAs, we are going to provide you and the IC with a report concerning any significant matters relating to the system of internal accounting controls of the Association along with our findings, comments and recommendations on these, and on other matters pertaining to the general and administrative operations of the Association.

4. Filing Assistance with Bureau of Internal Revenue (BIR) and Securities and Exchange Commission (SEC)

Our engagement will also include assistance in the preparation of your annual income tax return to the BIR and the filing of the financial statements to the SEC.

5. Consultations with Management on Administrative and Financial Matters

Our clients are given the privilege of accessing free consultations from us on matters pertaining to administrative and financial natures.

FEES AND INCIDENTAL EXPENSES

Professional Fees

Based on the scope outlined above, and in recognition of the Covid 19 Pandemic that is still presently raging on in our country, we propose to bill you for our professional fees the same amount of fees we have billed the Association for the 2019 engagement, of pesos:

SEVENTY-FIVE THOUSAND PESOS ONLY (P75,000)

Our fees are based on the time required by the staffs assigned to the engagement. Individual hourly rates of our staff vary according to the degree of responsibility involved and the experience and skills required.

We also would like to emphasize that we quoted this new fixed rate of our professional fees under the following conditions:

- That the matters requiring audit attention are not significantly different from those encountered in the previous year;
- That the work that is to be completed by your staff is completed and made available to us in accordance with an agreed timetable;
- That the accounting records and other financial information that we wish to examine are properly kept and in a form that makes them readily accessible to our staff; and
- That we will not have to stop work and/or make follow up visits because of delays caused by your staff or the unavailability of information required for the audit.

Should we encounter difficulties in the conduct of this engagement, we will let you know in advance before going further with our work. If this situation arises, there might be a need to request for an upward adjustment of our professional fees should we find it inadequate to cover our cost, subject however to your prior approval.

Billing Procedures

We propose to bill you as follows: (a) 50% upon your acceptance of this engagement and the (c) 50% remaining at the submission of the audited financial statements for filing of financial statements with appropriate Government agencies.

Our billings will include the mandated twelve percent (12%) VAT on professionals. Our billings are exempted from the expanded withholding taxes owing to our being a general professional partnership (RMC 60-2014 and RR 14-2002).

Out-of-Pocket Costs

As the usual practice in our profession, we will bill you for the out-of-pocket expenses we will incur in this engagement representing substantially the cost of transportation, board and lodging, communications and the reproduction of our reports to the Association. Our charges, which have been billed consistently during our previous engagements, would be guided by our existing policies as follows:

a) Food Expenses

An employee on official business outside of Cagayan de Oro City shall receive a fixed per diem for food expenses in the amount of FIVE HUNDRED PESOS (P500) per day for meals not provided by clients. In case of broken claims for meal allowance, an employee may claim ONE HUNDRED PESOS (P100) for breakfast and TWO HUNDRED PESOS (P200) each for lunch and dinner. No receipts are required in liquidating meals per diem.

- b) Lodging Expenses
Unless provided by client, employees on official business trips are required to secure safe and decent lodgings in their destinations. Lodging expenses are based on actual rates and must be liquidated with actual receipts using the Travel Liquidation Report.
- c) Transportation
Employees on mission outside of the home base shall have their actual transportation expenses reimbursed based on actual receipts submitted.
- d) Per Diem
The staffs are also being given fixed per diem of FIFTY PESOS ONLY (P50.00) for everyday the staff is working in your Association to cover other expenses such as cellphone loads and other personal expenses. No receipts are required in liquidating the fixed per diem.
- e) Report Reproduction
We shall charge the Association with a fixed cost for report reproduction of SIX HUNDRED PESOS ONLY (P600.00) per printed reports for the Board of Trustees and Management and reports to be submitted to the BIR, SEC and IC. We will be printing our reports based on the following allotments:

For BOD and management	-	5
For SEC	-	7
For IC	-	3
For BIR	-	3
Total		18

Please let us know in advance if you need more or less of the copies for BOD and management.

- f) Other Costs
Other necessary costs that would be incurred (such as reproduction costs of audit-related documents, mailing, communication and others) would also be charged to you based on reimbursements basis.

OTHER MATTERS

- a) Efficacy of this Contract/Termination of our Services
This proposal letter, once approved by the signatories, will be effective for the audit of the calendar year 2020 only. Should you wish to request our services in the audit of the financial statements of the Association during the calendar year 2021, we will send you a new proposal letter. May we remind the Association that this proposal is subject to the provisions of IC Circular Letter No. IC Circular No. 219-39, dated August 8, 2019.

Our services may be terminated by the Association any time, provided a written notice of termination is sent to us at least thirty (30) days prior to the date it becomes effective. This will allow us to complete any audit procedures already started, and to bill whatever is due us based on the audit procedures already performed.
- b) Confidentiality Clause
We will ensure the secrecy and confidentiality of all information that may come to our attention during the performance of this engagement.

c) Use of Electronic Media

This proposal letter, once approved, shall serve as the Association's authorization for us to use e-mail and other electronic methods to transmit and receive information, including confidential information, between Quilab & Garsuta, CPAs and the Association. It is acknowledged that e-mails travel over the public internet, which is not a secure means of communication and, thus, confidentiality of the transmitted information could be compromised through no fault of Quilab & Garsuta, CPAs.

d) Right of Quilab & Garsuta, CPAs Over Publishing of Audit Report

In the event that the Board of Trustees publishes a copy of the Association's financial statements and our audit report on the Association's website, or print the audit report together with the Association's audited financial statements in its Souvenir Programs or other printed organs, the following matters shall be agreed upon:

- 1) When information is presented on a website, the security and control over information on the website to maintain its integrity are the responsibility of management. We would be pleased to review the suitability of these arrangements before any decision is taken to publish our report on the website. In the event that we believe that use of our audit report on the website is misleading, we reserve the right to require the report to be presented in a manner that is not misleading.
- 2) Should the Association also publish a copy of its financial statements and our audit report in a souvenir program, or in its printed organ, we reserve the right to review the draft of the souvenir program or printed organ before this is run for printing. We shall not be held liable for omissions in the souvenir program or printed organ when we have not reviewed the draft.

e) Governing Law and Jurisdiction

This engagement shall be governed by and shall be construed to be in accordance with the laws of the Republic of the Philippines. We agree that all disputes or questions arising therein or in relation to or incidental to this engagement shall be resolved in the Courts of Cagayan de Oro City, Philippines only.

If any dispute arises (between/among) the parties hereto, the parties agree first to try in good faith to settle the dispute through non-binding mediation. The parties agree that, if any dispute cannot be settled through mediation, the dispute may then be brought before a court of competent jurisdiction.

f) Liability of Quilab & Garsuta, CPAs in Case of Litigation

The Association agrees that Quilab & Garsuta, CPAs, its partners and staff shall not be liable to the Association for any actions, damages, claims, liabilities, costs expenses, or losses in any way arising out of or relating to the audit services performed hereunder for an aggregate amount in excess of the fees paid by the Association to Quilab & Garsuta, CPAs under this engagement. In furtherance and not in limitation of the foregoing, Quilab & Garsuta, CPAs will not be liable in respect of any decisions made by the Association or any other parties as a result of the performance by Quilab & Garsuta, CPAs of its services hereunder.

The provisions of this paragraph shall apply regardless of the form of action, claim, liability, cost, expense or loss, whether in contract, statute, tort (including, without limitation, negligence), or otherwise.

g) Release from Legal Responsibility

By approving this engagement, you agree to release Quilab & Garsuta, CPAs and its personnel from any claims, liabilities, costs and expenses relating to our services under this letter, except to the extent determined to have resulted from the intentional, gross negligent or deliberate misconduct of Quilab & Garsuta, CPAs personnel.

In the event Quilab & Garsuta, CPAs is required pursuant to subpoena or other legal process to produce its documents relating to the engagements for the Association in judicial or administrative proceedings to which Quilab & Garsuta, CPAs is not a party, the Association shall reimburse Quilab & Garsuta, CPAs for its professional time and expense, including reasonable legal fees, incurred in responding to such requests.

h) Work Paper Access and Others

In accordance with PSA 230, the working papers of this engagement are the property of Quilab & Garsuta, CPAs. Pursuant to the request by the Association, we may be required to make certain that work papers are available when requested. Access to the requested work papers will be provided under the supervision of Quilab & Garsuta, CPAs personnel.

In the event Quilab & Garsuta, CPAs is requested pursuant to subpoena or other legal process to produce its documents relating to this engagement in judicial or administrative proceedings to which Quilab & Garsuta, CPAs is not a party, the Association shall reimburse Quilab & Garsuta, CPAs at standard billing rates for its professional time and expenses, including reasonable attorney's fees, incurred in responding to such request.

i) Requirement for Amending this Proposal

This engagement letter is contractual in nature and includes all of the relevant terms that will govern the engagement for which it has been prepared. The terms of this letter supersede any prior oral or written representations or commitments by or between the parties. Any material changes or additions to the terms set forth in this letter will only become effective if evidenced by a written amendment to this letter, signed by all of the parties.

* * *

If, after full consideration and consultation with Legal Counsel if so desired, you agree that the foregoing terms shall govern this engagement, we will appreciate your signing on the space provided for you at the lower portion of this page and returning the duplicate copy of this letter to us to indicate that it is in accordance with your understanding of the arrangements in the audit of your financial statements.

Thank you very much for this opportunity of service to your Association.

Very truly yours,


RICO P. QUILAB
Engagement Partner

CONCURRED AND APPROVED BY:

MS. ARLENE S. RARO _____
President/Chairperson, BOT Date