

## MEMORANDUM OF AGREEMENT

KNOW ALL MEN BY THIS PRESENTS:

This Agreement made and executed this 14 NOV 2023 day of 2023, in Pasig City, Philippines, by and between:

**PUBLIC SAFETY MUTUAL BENEFIT FUND, INC.**, a mutual benefit association, with principal place of business at No. 318-320 Boni Serrano Avenue corner 1<sup>st</sup> and 2<sup>nd</sup> West Streets, San Juan City, represented herein by its President and CEO, **DIR JOSE CHIQUITO M. MALAYO**, hereinafter referred to as "**PSMBFI**";

-and-

**ALAS, OPLAS & CO., CPAs**, a partnership firm duly organized and existing under and by the virtue of laws of the Republic of the Philippines with principal office at 7F Philippine AXA Life Center, Sen. Gil Puyat Ave., Makati City, represented by its Managing Partner, **MR. RYAN A. SABUG**, hereinafter referred to as "**EXTERNAL AUDITOR**".

WITNESSETH: That

**WHEREAS**, the PSMBFI desires to engage the services of an EXTERNAL AUDITOR to audit the financial statements comprising of the statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flows, and a summary of significant accounting policies and other explanatory information for the year ending December 31, 2023, assess the Association's compliance with the rules and regulations of the Insurance Commission (IC), review the supplementary information required under Bureau of Internal Revenue (BIR) Regulations (RR) Nos. 15-2010 and 19-2011, and provide routine consultation on tax and accounting matters, among others, hereafter collectively referred to as the "Financial Audit Services";

**WHEREAS**, the EXTERNAL AUDITOR offers to undertake the provision of the aforementioned service to the PSMBFI and represented that it is capable of delivering the services in accordance with the requirements of the IC, BIR, and Securities and Exchange Commission (SEC) based on the proposal submitted by the EXTERNAL AUDITOR;

**WHEREAS**, the EXTERNAL AUDITOR warrants and represents that it has, and will continuously have, during the term of this Agreement the necessary qualifications and requirements to efficiently handle the services in accordance with the standards laid down by the PSMBFI;

**NOW, THEREFORE**, for and in consideration of the foregoing premises and the mutual covenants set forth below, the parties have agreed as follows:

1. **Scope of Services.** The EXTERNAL AUDITOR shall perform Financial Audit Services for the PSMBFI, as follows:

- a) Audit which appropriately covers areas relevant to the PSMBFI's operations and risk exposures, which include the following:
  - i. 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;
  - ii. Assessment of the propriety and adequacy of disclosures in the financial statements;
  - iii. Assessment of the adequacy and effectiveness of internal controls and risk management systems;
  - iv. Assessment of the quality of capital in relation to risk exposures; and
  - v. Evaluation of the quality of corporate governance;
- b) Audit of financial statements comprising of statement of financial position, the statement of comprehensive income, statement of changes in equity, statement of cash flows, and a summary of significant accounting policies and other explanatory information for the year ending December 31, 2023;

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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.

- c) Assessment of the PSMBFI's compliance with IC rules and regulations
- d) Review of supplementary information required under Bureau of Internal Revenue (BIR) Revenue Regulations (RR) Nos. 15-2010 and 19-2011; and
- e) Provision of routine consultation on tax and accounting matters. However, this excludes tax compliance review and tax advisory service that usually entails extensive work such as research, data gathering and consultation.



2. **Professional Fee.** In consideration for such services, the PSMBFI shall pay to the EXTERNAL AUDITOR a Professional Fee amounting to **Eight Hundred Ninety Thousand Pesos (Php890,000.00)**. The Professional Fee is inclusive of the value-added tax and out-of-pocket expenses (OPE). Changes in the Professional Fee shall be specified and agreed upon by both parties.
3. **Billing and Payment.**
- a) The PSMBFI shall pay the professional fees to the EXTERNAL AUDITOR in the following manner:
- 50% upon signing of the contract;  
30% as work progresses; and  
20% upon issuance of the final report.
- b) The EXTERNAL AUDITOR's invoices shall be due 14 days from receipt of such invoice.
4. **Term.** This Agreement shall be for a period of which shall commence on the date of signing of this Agreement until submission and acceptance of Audit Report.
5. **Timeline.** Audit reports shall be completed and delivered within the 1<sup>st</sup> week of April of the following year.
6. **Responsibilities of the EXTERNAL AUDITOR.** The EXTERNAL AUDITOR shall have the following responsibilities:
- a) Conduct its audit in accordance with the Philippine Standards on Auditing (PSA).
- b) Ensure the complete, efficient and satisfactory performance of the services under this Agreement and timely deliver the following to the PSMBFI:
- i. Full and complete Audit Report for the Audited Financial Statements (AFS) for submission to the IC, SEC and BIR, stating whether, in EXTERNAL AUDITOR's opinion, the financial statements present fairly, in all material respects, the financial position of the PSMBFI and its financial performance and its cash flows;
  - ii. Signed written statements to accompany financial statements of the PSMBFI for filing with the BIR in compliance with BIR Revenue Regulation V-20 and with the SEC in compliance with Revised SRC Rule 68;
  - iii. Signed reports and certifications per reportorial requirements of the IC and SEC.

- iv. Memorandum on our major recommendations to improve the Association's internal accounting control system arising from our audit, if any; and
  - v. Client Advisory Letter, a compilation of recent laws, regulations, and rulings issued by government regulatory bodies affecting business and the economy.
- c) Report to the IC any of the following cases which may have been discovered based on our audit conducted in accordance with PSA, within fifteen (15) calendar days after discovery:
- i. Any material findings involving fraud or error, as defined under Sections 3.3 and 3.4 of the IC Circular Letter No. 29-2009;
  - ii. Losses or potential losses, the aggregate of which amounts to at least ten percent (10%) of the total assets of the Association;
  - iii. Significant doubt as to the ability of the Association to continue as a going concern basis;
  - iv. Material breach of laws or IC rules and regulations, such as but not limited to the prescribed net worth and risk-based capital requirements;
  - v. Material internal control weaknesses which may lead to financial reporting problems; and
  - vi. Findings on matters of corporate governance that may require urgent action by IC.

Where a thorough investigation or evaluation of facts is necessary on the noted case, an initial report shall be submitted within the prescribed timeline: Provided, that a complete report is submitted not later than fifteen (15) calendar days from completion of investigation or evaluation.

In case there are no adverse matters to report, the EXTERNAL AUDITOR shall submit directly to the IC calendar within fifteen (15) calendar days after the close of the audit engagement a notarized certification that there is none to report.

- d) Directly report to the IC should this Agreement be pre-terminated as well as the reasons thereto, within fifteen (15) calendar days of the pre-termination.

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e) Report to the SEC any of the following matters which may have been discovered by us in the conduct of the audit of the Association's financial statements prepared in accordance with PFRSs;

- i. Any findings of:
  - 1) Violation of SRC Rule 68;
  - 2) Offering of securities without prior registration with the Commission under the SRC; or
  - 3) Engaging in a business of financing or lending without a secondary license;
- ii. Any material finding involving fraud or error;
- iii. Losses or potential losses the aggregate of which amounts to at least ten percent (10%) of the consolidated total assets of the Association;
- iv. 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
- v. Material internal control weakness which may lead to financial reporting problems.

Submit its findings to the PSMBFI's Audit Committee or Board of Trustees and discuss the same with the said body.

Document PSMBFI's Management explanations and/or corrective action taken and include in the Report to be filed to the SEC should the PSMBFI fail to copy furnish SEC's Office of the General Accountant of the aforementioned within thirty (30) business days from submission of the EXTERNAL AUDITOR's findings to the PSMBFI's Audit Committee or BOT.

**7. Responsibilities of the PSMBFI.** The PSMBFI shall have the following responsibilities:

- a) Prepare and fairly present the financial statements in accordance with the Philippine Financial Reporting Standards (PFRSs).
- b) Provide the EXTERNAL AUDITOR access to the following:
  - i. All information of which the PSMBFI is aware of that is relevant to the preparation of the financial statements such as records, documentation and other matters. However, this excludes disclosures that are prohibited by law or the information is legally classified as confidential or classified;
  - ii. Additional information that EXTERNAL AUDITOR may request from PSMBFI for audit purposes;




- iii. Unrestricted access to persons within the PSMBFI which the EXTERNAL AUDITOR may determine as necessary to obtain audit evidence;
  - iv. Draft financial statements and any accompanying information on a timely manner to allow the EXTERNAL AUDITOR to complete the audit; and
  - v. Written representation that PSMBFI has fulfilled its responsibilities for the preparation and presentation of financial statements and that all transactions have been recorded and are reflected in the financial statements.
- c) Provide the following to the EXTERNAL AUDITOR:
- i. Supplementary information required by RR Nos. 15-2010 and 19-2011 issued by the BIR; and
  - ii. Supplementary information required by the Revised Securities Regulation Code (SRC) Rule 68;
- d) The PSMBFI Board of Trustees and Management shall be primarily responsible for the financial statements submitted to the IC.
8. **Responsibility of the Parties.** The PSMBFI and the EXTERNAL AUDITOR shall comply with all the requirements under Item b of the "Audit Engagement and Reportorial Requirements" section of IC Circular Letter No. 2019-39.
9. **Delay and Force Majeure.**
- a) The EXTERNAL AUDITOR shall be excused from the delay in the performance of its obligations under this Agreement in the event of force majeure or any cause beyond its control; provided that, the EXTERNAL AUDITOR shall use its best efforts to complete such performance by other means and within a reasonable time from the happening of the event of force majeure. For this Agreement, force majeure is defined as follows: causes beyond the control of the EXTERNAL AUDITOR including but not limited to, acts of God, acts, regulations or laws of government, war, civil commotion, earthquake or storm, statewide labor disturbances, and epidemic.
  - b) In the event of the occurrence of any circumstance or event which fall under "Force Majeure", the EXTERNAL AUDITOR shall promptly give notice to PSMBFI of the commencement of such circumstance or event but shall use commercially reasonable efforts to mitigate or overcome the effects of the Force Majeure and shall give notice to the PSMBFI of the cessation of the Force Majeure.



10. **Relationship.** Nothing contained herein shall be deemed to create any association, partnership, joint venture, or relationship of principal and agent or master and servant, or employer and employee between the parties hereto or any affiliates or subsidiaries thereof, or to provide either Party with the right, power or authority, whether expressed or implied, to create any such duty or obligation on behalf of the other Party.
11. **Permits and Licenses.** The EXTERNAL AUDITOR shall comply with all laws, ordinances, and regulations relevant to the performance of the contracted Services. It shall also secure all necessary permits and licenses.
12. **Assignment/Subcontracting.** – The EXTERNAL AUDITOR shall not assign any of its rights or obligations under this Agreement.
13. **Waiver.** – The failure of any Party to insist upon a strict performance of any of the terms, conditions, and covenants hereof shall not be deemed a relinquishment or waiver of any right or remedy that said Party may have nor shall it be construed as waiver of any subsequent breach or default of the terms, conditions, and covenants herein contained, which shall be deemed in full force and effect. No waiver by any Party shall be deemed to have been made unless expressed in writing and signed by the said Party.
14. **Damages.**
- a. The EXTERNAL AUDITOR is liable for 25% of the Professional Fee for non-compliance with the specifications in the Terms of Reference (TOR) regardless of quantity without prejudice to the right of PSMBFI to cancel the contract.
  - b. The EXTERNAL AUDITOR is also liable for 0.25% of the Professional Fee per day of delay in the contract period without prejudice to the right of PSMBFI to cancel the contract.
  - c. Any other breach of the provisions of this Agreement shall entitle the innocent party to damages, including attorney's fees equivalent to ten percent (10%) of the damage award plus cost of suit.
15. **Performance Bond.** A performance bond, equivalent to 15% of the contract price, shall be furnished by the EXTERNAL AUDITOR on or before the signing of the contract, to be released by the PSMBFI upon completion of the contractual obligation of the EXTERNAL AUDITOR.
16. **Termination.** Either party may terminate this Agreement for any reason by notifying the other party in writing at least thirty (30) days before the intended date of termination. The PSMBFI, however, may immediately terminate this Agreement upon receipt by the EXTERNAL AUDITOR of written notice of termination in any of the following cases:
- a) If the accreditation of the EXTERNAL AUDITOR expires or is revoked while this Agreement is in effect. In this case, the EXTERNAL AUDITOR must provide the required level of transition support as well as the relevant paperwork;



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- b) If the EXTERNAL AUDITOR shall go into liquidation or shall be declared insolvent, or if a receiver for the EXTERNAL AUDITOR is appointed or applied for;
  - c) If the EXTERNAL AUDITOR shall commit breach of any of its obligations under this Agreement; or
  - d) If the EXTERNAL AUDITOR ceases its business operations or permits its license or authority to conduct its business as an independent service contractor to expire or be revoked without said license being immediately renewed.

Should the engagement be terminated midstream when work has already begun, the EXTERNAL AUDITOR shall bill the PSMBFI an amount proportionate to the extent of the work already done. Should this amount be less than the initial payment, the EXTERNAL AUDITOR shall refund the difference between the two amounts to PSMBFI.

If this Agreement is terminated due to expiration of the term hereof or for any reason before the completion of the services, the EXTERNAL AUDITOR shall provide transition assistance for a reasonable, mutually agreed period after the expiration or termination.

17. **Data Privacy.** The EXTERNAL AUDITOR shall ensure that it is fully compliant with the provisions of the Data Privacy Act of 2012. It shall also ensure that reasonable administrative, physical, and technical security measures are taken to protect personal data in their possession to prevent unauthorized access, collection, use, disclosure, modification, disposal, and other similar risks.

18. **Confidentiality Clause.**

- a) The EXTERNAL AUDITOR hereby agrees that it shall not, during the duration of this Agreement or any time, thereafter, disclose nor furnish to any person, firm or corporation any information relating to the PSMBFI that may be acquired/possessed in the course of the performance of services to the PSMBFI, or as an incident to this Agreement. However, disclosure of the information enumerated under Section 6(c) of this Agreement to the IC and/or other financial sector supervisors shall not constitute a breach of confidentiality, nor shall it be a ground for civil, criminal, or disciplinary proceedings against the EXTERNAL AUDITOR.
- b) The EXTERNAL AUDITOR shall be allowed read-only access to the IC's Examination Report on the PSMBFI and the EXTERNAL AUDITOR shall treat the contents of the Examination Report appropriately and confidentially.



- c) The disclosure of information as required by the SEC shall not be a violation of the herein confidentiality clause and shall not be a ground for civil, criminal, or disciplinary proceedings against the EXTERNAL AUDITOR provided that such disclosure is required by the Revised Corporation Code, Securities Regulation Code (SRC) and SEC rules and regulations and is made on the basis of the audit.
- d) The EXTERNAL AUDITOR, its employees and representatives shall not, even after the expiration of this Agreement, divulge or disclose nor allow to be divulged or disclosed by any person or entity to any person or entity, any information pertaining to the PSMBFI without its written consent or authority. The EXTERNAL AUDITOR agree that it shall, at all times, hold the Information in confidence and keep it from any person except its authorized employees, on a need-to-know basis as maybe necessary for the proper performance of its duties hereunder. Information furnished to the EXTERNAL AUDITOR in tangible form shall not be duplicated except for the purposes of this Agreement.
- e) Upon the request of PSMBFI or at the termination of this Agreement, in full or in part, the EXTERNAL AUDITOR shall return all Information received in written or tangible form, including copies or reproductions or other media containing such Information, within ten (10) days of such request or termination. The EXTERNAL AUDITOR shall not use any Information or other material it has received from PSMBFI pursuant to this Agreement for the purposes of marketing or assisting any other person in marketing or any other purpose unrelated to the proper performance of this Agreement. The non-disclosure provisions of this Agreement shall survive its termination.
19. **Electronic Communication.** The Parties may, from time to time, communicate electronically with each other. Due to the risks of electronic communication, the parties agree to use commercially reasonable procedures to check for the most known viruses before sending information electronically. Both shall be responsible for protecting its own interests and systems in relation to its electronic communications.
20. **Litigation Expenses and Venue.** Any action arising from, or in connection with, this Agreement shall be filed before the appropriate courts of Pasig City only, to the exclusion of all other courts.
21. **Order of Precedence.** The provisions of this Agreement shall take precedence over other documents signed between the Parties.
22. **Severability.** If any one or more of the provisions of this Agreement is declared invalid or unenforceable in any respect under any applicable law, the validity, legality, or enforceability of the remaining provisions contained herein shall not in any way be affected or impaired.


23. **Superseding Clause.** This Agreement supersedes and renders void any and all agreements and undertakings, oral or written, which may have been entered into by and between the parties, the same being considered as having been merged herein. Any changes or alterations in this Agreement shall be valid if made in writing and duly signed by the parties.

IN WITNESS WHEREOF, the parties have hereunto affixed their signatures this 14 NOV day of \_\_\_\_\_, 2023 at Pasig City

**PUBLIC SAFETY MUTUAL  
BENEFIT FUND, INC.**  
PSMBFI

**ALAS OPLAS & CO., CPAs**  
EXTERNAL AUDITOR

By:

  
**DIR JOSE CHIQUITO M. MALAYO**  
President and CEO

By:

  
**MR. RYAN A. SABUG**  
Managing Partner

**ACKNOWLEDGEMENT**

REPUBLIC OF THE PHILIPPINES )  
\_\_\_\_\_) S.S.

BEFORE ME, Notary Public for and in the above jurisdiction, this 14 NOV 2023 and of \_\_\_\_\_ personally appeared:  
QUEZON CITY

NAME	PASSPORT NUMBER	DATE/PLACE OF ISSUE
JOSE CHIQUITO M. MALAYO	P1749635B	
RYAN A. SABUG	P6815520A	

known to me and know to be the same persons who executed the foregoing instrument and they acknowledged to me that the same is their free act and deed, as well as the free act and deed of the companies they presented.

This instrument consists of ten (10) pages, including the page on which this acknowledgment is written, duly signed by the signatories and their witness on each and every page thereof.

WITNESS MY HAND AND SEAL on the date and place first stated.

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Book No. 11  
Series 100

**NOTARY PUBLIC**  
**ATTY. RUBEN M. ZANES JR.**  
NOTARY PUBLIC IN QUEZON CITY  
AM Adm. Not Com. No. NP-025 (2023-2024)  
IBP O.R. No. 293181 Jan. 2023 / Roll No. 46427  
PTR No. 4029325 D 01-05-2023 / TIN: 140-394-836-000  
MCLE Compliance No. VII-0018605 valid until 04-15-2025  
10 Address: Unit R03 Suntrust Cond. Matalino St. Central, Q.C.