

Alas Oplas & Co., CPAs

Proposal for Financial Audit
For the year ending December 31, 2024

Presented to:
PUBLIC SAFETY MUTUAL BENEFIT FUND, INC.

Alas Oplas & Co., CPAs

7/F Philippine AXA Life Centre, 1286 Sen. Gil Puyat Avenue, Makati City Philippines 1200

Phone No.: (632) 7116-4366 | Email: aocheadoffice@alasoplas.com | www.alasoplascpas.com

Offices:

Makati Alabang Cavite Ortigas Paranaque Bulacan Isabela Nueva Ecija Bacolod Iloilo Bohol Legazpi



Alas Oplas & Co., CPAs

October 11, 2024

To the Members and the Board of Trustees
PUBLIC SAFETY MUTUAL BENEFIT FUND, INC.
No. 318-320 Boni Serrano Avenue
Corner 1st and 2nd West Streets
San Juan City, Metro Manila

Alas Oplas & Co., CPAs

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Offices:

Makati	Alabang	Ortigas	Paranaque
Cavite	Bulacan	Isabela	Nueva Ecija
Bacolod	Iloilo	Bohol	Legazpi

SUBJECT: LETTER OF ENGAGEMENT FOR EXTERNAL AUDIT SERVICE

Gentlemen:

We are pleased to submit our proposal to render external audit service to **PUBLIC SAFETY MUTUAL BENEFIT FUND, INC.** (the "Association") for the year ending December 31, 2024.

We discuss below highlights of our practice philosophies that guide us in delivering value-for-money and world class quality service.

PRACTICE PHILOSOPHIES

In order to deliver the value-for-money and world class quality service that you deserve, we observe the following practice philosophies:

- **Business-oriented and risk-based audit approach**

Alas, Oplas & Co., CPAs, herein referred to as the "Firm", uses business-oriented and risk-based audit approach with an emphasis on early planning and understanding your business. This enables us to identify key audit risks and tailor our audit response to the unique aspects, size, and nature of your business and to offer value-added constructive comments and recommendations.

- **Professional competence**

We always seek for continuous improvement of our skills and capabilities through investing heavily in training and technology. Our personnel are well trained by international and local trainers and we are active in participating with international conferences and forum that increase our knowledge.

- **Independence and integrity**

We are committed to giving what our clients rightly demand, yet still recognizes that the auditor is uniquely placed to give constructive advice to the client regarding its business.

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ABOUT OUR FIRM

For 30 years of global standard professional service in the field of audit and assurance, we certainly take great pride in letting our clients know who we are and the industry capabilities we can deliver.

- We are member Firm of **BKR International** a leading global association of independent accounting and business advisory Firms representing the expertise of more than 160 member Firms with over 500 offices in over 80 countries around the world.

The succeeding pages will contain the scope of our services and our standard terms and conditions. We appreciate the opportunity you gave us to submit this audit proposal. We will be pleased to clarify any questions that you may have regarding this proposal.

Sincerely,



Ryan A. Sabug
Managing Partner

Alas Oplas & Co., CPAs

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This proposal has been submitted to **PUBLIC SAFETY MUTUAL BENEFIT FUND, INC.** for the purpose of describing **ALAS, OPLAS & CO., CPAs** ("the Firm") qualifications and capabilities to provide the outlined services. In doing so, the Firm has disclosed certain proprietary and other sensitive information, which if disclosed to other parties, might harm the Firm competitively. In consideration of receiving the disclosures, **PUBLIC SAFETY MUTUAL BENEFIT FUND, INC.** agrees to treat this proposal as a confidential material and not to be disclosed to any third party without obtaining the Firm's consent.

This proposal remains the property of the Firm and we reserve the right to request the return of all materials included in this proposal.

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OBJECTIVES AND SCOPE OF THE AUDIT

You have requested that we audit the annual financial statements of **PUBLIC SAFETY MUTUAL BENEFIT FUND, INC.**, which comprise the statement of financial position, the statement of comprehensive income, statement of changes in fund balance, statement of cash flows, and a summary of significant accounting policies and other explanatory information for the year ending December 31, 2024. Our audits will be conducted with the objective of expressing an opinion on the annual financial statements.

Our financial audit service will include a review of the supplementary information required under Bureau of Internal Revenue (BIR) Revenue Regulations (RR) Nos. 15-2010 and 19-2011.

Our financial audit service will also include routine consultation on tax and accounting matters. It will not include tax compliance review and tax advisory service that usually entails extensive work such as research, data gathering and consultation.

OUR RESPONSIBILITIES

We will conduct our audits in accordance with Philippine Standards on Auditing (PSA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with PSA.

In making our risk assessments, we consider internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. However, we will communicate to you in writing any significant deficiencies in the internal control relevant to the audit of the financial statements that we have identified during the audit.

MANAGEMENT'S RESPONSIBILITIES

Our audits will be conducted on the basis that management and those charged with governance acknowledge and understand that they have responsibility:

1. For the preparation and fair presentation of the financial statements in accordance with Philippine Financial Reporting Standards (PFRSs);
2. For such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud and error; and

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3. To provide us with:
 - a. Access to all information of which management is aware of that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - b. Additional information that we may request from management for the purpose of the audit;
 - c. Unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence;
 - d. Draft financial statements and any accompanying information on a timely manner to allow us to complete the audit; and
 - e. Written representation letter that management 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.
4. For the preparation and fair presentation of the:
 - a. Supplementary information required by RR Nos. 15-2010 and 19-2011 issued by the BIR,
 - b. Supplementary information required by the Revised Securities Regulation Code (SRC) Rule 68, and
5. For the preparation of Statement of Management Responsibility

In accordance with Revised SRC Rule 68, management of all corporations covered by this Rule is required to acknowledge their responsibility over their financial statements. For this purpose, the financial statements to be filed with the Securities and Exchange Commission (SEC) shall be accompanied by a Statement of Management's Responsibility for Financial Statements signed by the Chairman of the Board, the Chief Executive Officer, and the Chief Financial Officer.

In addition, the management is also mandated to comply with the submission of a Statement of Management's Responsibility for Annual Income Tax Return to accompany the financial statements, pursuant to Revenue Regulation No. 3-2010.

REPORTING AND DELIVERABLES

Our deliverables will consist of the following:

1. Audit report for the audited financial statements for submission to the IC, SEC and BIR, stating whether, in our opinion, the financial statements present fairly, in all material respects, the financial position of the Association and of its financial performance and its cash flows.

Our audit report will contain the following contents:

- **Auditor's Opinion**

This section shall include a section with the heading "Opinion" and shall use the phrases "The financial statements present fairly, in all material respects, in accordance with the applicable financial reporting framework" to express an unmodified opinion on financial statements prepared in accordance with a fair presentation framework.

Our audit opinion, however, shall be modified under any of the following situations:

- Inability to obtain sufficient appropriate audit as a result of limitations imposed by management or external circumstances;
- The financial statements are materially misstated; or
- Existence of a major uncertainty affecting the financial statements.

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We may also include a separate paragraph to emphasize a matter without modifying our audit opinion to enable readers to have a better understanding of the financial statements.

- Basis for Opinion

This section shall state that the audit was conducted in accordance with Philippine Standards on Auditing (PSAs). It shall also refer to the section of the auditor's report that describes the auditor's responsibilities under the PSAs, and shall also include a statement that the auditor is independent of the entity in accordance with the relevant ethical requirements relating to the audit, and has fulfilled the auditor's other ethical responsibilities in accordance with these requirements.

- Management's Responsibility for the Financial Statements

This section shall describe the responsibilities of those in the organization that are responsible for the preparation of the financial statements. It shall also include a section with the heading "Management's Responsibility for Financial Statements." It shall describe management's responsibility for the preparation of the financial statements in accordance with the applicable financial reporting framework, as well as the design, implementation, and maintenance of internal control relevant to the preparation of financial statements that are free from misstatement, whether due to fraud or error. Lastly, this section shall describe that the financial statements are prepared in accordance with a fair presentation framework with the explanation referring to "the preparation and fair presentation of these financial statements."

- Auditor's Responsibilities

This section shall have the heading "Auditor's Responsibilities" and shall state that the responsibility of the auditor is to express an opinion on the financial statements based on the audit. It shall also state that the audit was conducted in accordance with PSAs. Those standards require that the auditor complies with ethical requirements and that the auditor plans and performs the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. It shall also describe an audit by stating that:

- An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements;
- The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control;
- An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

This section shall also state whether the auditor believes that the audit evidence is sufficient and appropriate to provide basis for the auditor's opinion.

- Report on the Bureau of Internal Revenue

We will include a paragraph in the audit report stating whether in our opinion the Supplementary Information required under BIR-RR Nos. 15-2010 and 19-2011 on taxes, duties, license fees, and taxable income and deductions attached to the financial statements is fairly stated in relation to the basic financial statements taken as a whole.

2. Signed written statements to accompany financial statements of the Association for filing with the BIR in compliance with BIR Revenue Regulation V-20 and with the SEC in compliance with Revised SRC Rule 68.
3. Signed reports and certifications as per reportorial requirements of the IC and SEC.

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4. Memorandum on our major recommendations to improve the Association's internal accounting control system arising from our audit, if any; and
5. Client Advisory Letter, a compilation of recent laws, regulations, and rulings issued by government regulatory bodies affecting business and the economy.

INSURANCE COMMISSION REPORTORIAL REQUIREMENTS

Under Section 8 of IC Circular Letter No. 2024-03 dated January 29, 2024 (the "Revised Framework on the Accreditation of External Auditors"), part of our responsibility as an accredited external auditor of the IC is to directly report 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:

- Any material findings involving fraud or error;
- Losses or potential losses the aggregate of which amounts to at least ten percent (10%) of the consolidated total assets of the Association;
- Significant doubt as to the ability of the Association to continue as a going concern based on IC prudential requirements;
- Material breach of laws of IC rules and regulations on the prescribed net worth and risk-based capital requirements of the Association; and
- Material internal control weaknesses which may lead to financial reporting problems.

Where a thorough investigation or evaluation of facts is necessary on a discovery of an adverse matter, 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 the completion of investigation or evaluation.

In case there are no matters to report, we shall submit to the IC, within 15 calendar days after the date of the auditor's report, a notarized certification that there is none to report.

The disclosure of information above shall not constitute a breach of confidentiality on our part, nor shall it be ground for civil, criminal or disciplinary proceedings against us.

The Association shall be responsible for keeping us fully informed of existing and subsequent changes to prudential regulatory and statutory requirements of the IC. The Association and the Firm will comply with all the requirements of the IC Circular Letter No. 2024-03.

We shall be allowed read-only access to the IC's examination report of the Association, and we shall treat the contents of the examination report appropriately and confidentially.

In case of pre-termination of our engagement contract or resignation/replacement as external auditor, we shall directly report to the IC within fifteen (15) days and state the reason(s) thereof.

SECURITIES AND EXCHANGE COMMISSION REPORTORIAL REQUIREMENTS

Under the Revised SRC Rule 68, part of our responsibility is to 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;

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

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4. 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
5. Material internal control weakness which may lead to financial reporting problems.

Our responsibilities shall include the following:

1. Submit findings to the Association's audit committee or Board of Trustees (BOT) and discuss the same with the said body;
2. Document management's explanations and/or corrective action taken and include in the report mentioned below; and
3. File a report (SEC Form Au-Rep) to the SEC if the Association fails to copy furnish SEC's Office of the General Accountant of the above within thirty (30) business days from submission of our findings to the Association's audit committee or BOT.

Our disclosure of information as required by SEC shall not be a ground for civil, criminal or disciplinary proceedings against us. Our responsibilities as external auditor are based on matters that are within the coverage of an audit conducted in accordance with PSA.

PLANNING AND PERFORMANCE OF THE AUDIT

We will plan our audit as expeditiously as possible to minimize disruptions of your work.

Our audit shall be conducted as follows:

1. Interim audit covering the period from January 1, 2024 to September 30, 2024
2. Year-end audit as of December 31, 2024

At the start of our work, we will present to you in a kick-off meeting our audit approach and timetable.

We look forward to the full cooperation of your staff to do the preparatory work that will be discussed in our arrangement letter. We also trust that they will make available to us whatever records, documentation and other information that are requested in connection with our audit.

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CLIENT SERVICE TEAM

The Foundation will be audited by the following engagement team members:

1. **Lead Partners** – partners responsible for the engagement and its performance and for the auditor's report and other reports issued on behalf of the firm.



DANILO T. ALAS
Chairman

Donnies is a Certified Public Accountant (CPA) in the Philippines and the Founder and Chairman of Alas Oplas & Co., CPAs.

He has surged through the accountancy profession not just by being a competent CPA, but also by being a successful and respected businessman in the country. His more than 40 years of professional experience in various corporate industries and his rich mastery in the field of accounting, audit, finance, tax, and business management affairs led to the triumph of his firm.

A dedicated leader, Donnies actively participates in numerous conventions, conferences, seminars, training, and special studies both in the Philippines and abroad. He is also a sought-after prolific guest speaker in finance and tax matters.



RYAN A. SABUG
Managing Partner

Ryan is the Managing Partner of Alas, Oplas, & Co., CPAs. He is responsible for the management and administration of the Firm, specifically in setting directions towards the fulfillment of the Firm's goals and objectives and providing the required level of leadership to its management and staff.

With more than 10 years of professional experience as a Certified Public Accountant, Ryan has had a solid experience in planning and managing external audits, where he was responsible for all phases of risk-based-audit, including substantive and control testing, reporting, and the provision of consulting services.

In his several years of experience as an auditor, he has also handled internal audit, taxation, and corporate services engagements in various industries such as banks, manufacturing, services and non-stock, non-profit institutions, airlines, car dealers.

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2. Chief Executive Officer



MA. CRISELDA S. OPLAS
Chief Executive Officer

Marycris is the Chief Executive Officer of Alas, Oplas, & Co., CPAs, and one of the Founding Partners of the Firm.

She has been in the professional service for over 30 years, acquiring mastery and expertise in the fields of taxation and strategic financial services. Her areas of expertise are taxation and audit. She has handled issues like tax investigations and tax advisory services through a thorough understanding of business activities. Her broad experience consists of her assistance to different companies with the selection of business structure, corporate set-up, and tax registration. She works closely with clients of various industries, such as banks, advertising, international freight forwarding, manufacturing, importation and exportation, resort development, and automotive dealership.

We will also assign a director, senior and junior auditors to assist with the conduct of the engagement.

QUALITY CONTROL

The conduct of our audit in accordance with PSA means that information acquired by us in the course of our audit is subject to strict confidentiality requirements. Information will not be disclosed by us to other parties except as required or allowed for by law or professional standards, or with your express consent. Our audit files may, however, be subject to review as part of the quality control review program by: a) our network firm which monitors the quality of audits undertaken by member firms, and b) regulatory bodies such as SEC and Board of Accountancy.

ENGAGEMENT FEES AND TERMS OF PAYMENT

Our professional fee for the financial year ending December 31, 2024 is **NINE HUNDRED NINETY THOUSAND PESOS (PHP990,000), inclusive** of applicable Value Added Tax (VAT) and out-of-pocket expenses (OPEs). OPEs are expenses necessarily incurred in the performance of our service, such as office supplies, transportation, accommodation, meals, printing, postage, facsimile transmission, reproduction of financial statements, communication, allocation of office charges in support of our services and other incidental charges.

Other extended services/works that will be incurred by the Firm to complete the submission of the deliverables shall likewise be billed in addition to the professional fee indicated herein.

We further propose to bill you as follows:

50% upon start of audit;
30% as work progresses; and
20% upon issuance of the final report.

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STANDARD TERMS AND CONDITIONS OF BUSINESS

1. CONFIDENTIALITY

We confirm that where you give us confidential information, we shall at all times keep it confidential, except as required by law or as provided for in regulatory, ethical or other professional pronouncements applicable to our engagement. However, in the event that we are required by law or other regulatory, ethical or other professional pronouncements, to disclose confidential information to a third party, the Firm shall first notify to **PUBLIC SAFETY MUTUAL BENEFIT FUND, INC.** prior to making such disclosure to the extent that the Firm is legally able to do so. You agree that it will be sufficient compliance with our duty of confidence for us to take such steps as we, in good faith, think fit to preserve confidential information both during and after termination of this engagement.

The Firm also reserves the right to act during this engagement for other clients whose interests are, or may be, adverse to yours, subject to the preceding paragraph.

2. ELECTRONIC COMMUNICATION

During the engagement we may, from time to time, communicate electronically with each other. Although electronic transmission of information is fast and convenient, it cannot be guaranteed to be virus-free or error-free. Transmitted information could be intercepted, corrupted, lost, destroyed, be delayed, or incomplete or otherwise, be adversely affected by technical factors or considered unsafe to use. Therefore, we recognize that systems and procedures cannot be a guarantee that transmissions will be unaffected by such hazards.

In this regard, we accept the risks of and authorize the use of electronic communications between us. We propose that the Firm and the Association mutually agree to use commercially reasonable procedures to check for the most commonly known viruses before sending information electronically. Moreover, both shall be responsible for protecting its own systems and interests, in relation to electronic communications.

3. PAYMENT AND FEES

Our invoices are due for settlement **14 days** from the date of the invoice. We reserve the right to charge interest on overdue debts at a rate of 2% per month.

The Firm also reserves the right to withdraw our staff from their involvement on the relevant assignment, in the event that the Association fail to perform the preparatory work in accordance with the terms of this engagement proposal or if payment was not properly made.

4. SCOPE OF SERVICE/TERMINATION CLAUSE

This audit engagement starts when the client service team begins to perform audit services and ends when the audit report is issued. Should the Association intend to rehire the services of the Firm for succeeding audit periods, such continuation of service will be subjected to a reacceptance evaluation in accordance with the requirements of Philippine Standards on Auditing and the result will be communicated to the Association.

Should either party to this audit engagement encounter extraordinary difficulties while in service and that the Firm or the Association will no longer be viable to continue such service, either party may invoke a termination of the service through a written notice. The written notice should be received by the other party at least thirty (30) days before the date of termination.

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5. INDEMNIFICATION

PUBLIC SAFETY MUTUAL BENEFIT FUND, INC. hereby indemnifies **ALAS, OPLAS & CO., CPAs** and its partners, principals and employees and holds them harmless from all claims, liabilities, losses and costs arising in circumstances where there have been known misrepresentations by a member of **PUBLIC SAFETY MUTUAL BENEFIT FUND, INC.**'s management, even if such member's act was in the interest of **PUBLIC SAFETY MUTUAL BENEFIT FUND, INC.** This indemnification will survive the termination of this letter.

6. INCREASE IN FEES

Our proposed fee is based on the preliminary financial information made available to us and skill and time necessarily incurred in carrying out our audit and assumed that the audit will be carried out without unforeseen problems. If there are any unforeseen events encountered during the course of the audit, we shall discuss the matter with you immediately and if necessary, any amendment of our fee.

We hope the above terms correctly express our understanding.

Please indicate your agreement by signing and returning a copy for our file.

Sincerely yours,

ALAS, OPLAS & CO., CPAs

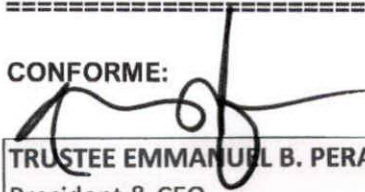
For and on behalf of the Firm:



Ryan A. Sabug
Managing Partner

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CONFORME:



TRUSTEE EMMANUEL B. PERALTA
President & CEO

Signature over Printed Name

Position

Date