

MINUTES OF THE MEETING
AUDIT COMMITTEE
BETHEL GENERAL INSURANCE AND SURETY CORPORATION
BETHEL GEN CONFERENCE ROOM AT 11:50 A.M. FEBRUARY 28, 2025

PRESENT:

Ms. Dominga G. Garcia	-	Chairperson
Ms. Vida T. Chiong	-	Member

ON LEAVE:

Ms. Aileen A. Uy	-	Member
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ALSO PRESENT:

Atty. Dyandell G. Mendoza	-	Corporate Secretary
Mr. Rudy E. Mahinay, Jr.	-	Compliance Officer
Ms. Lanie D. Santos	-	Corporate Treasurer
Ms. Maricor Q. Parado	-	VP for Finance
Mr. Marlon A. Lim	-	Internal Auditor
Ms. Jemery Gajopo	-	Paralegal
Ms. Mebelyn Navarro	-	Minute taker

I. CALL TO ORDER

The Meeting was called to order by the Chairperson of the Audit Committee at 11:52 in the morning on February 28, 2025 in Bethel Gen Conference Room, all attendees were present in the Bethel Gen Conference Room. Ms. Navarro took the minutes of the meeting.

II. DETERMINATION OF QOURUM

The Corporate Secretary reported that, in accordance with the provisions of the Corporation Code and the Amended By-Laws of the Company, written notice was served to all members of the Audit Committee. The majority of the members of the committee are present to validly transact business at today's meeting.

III. TENTATIVE RESULTS OF THE 2024 FINANCIAL STATEMENT

Unaudited Statement of Financial Income

Ms. Parado reported the Unaudited Statement of Financial Income as of December 31, 2024 of the Corporation, discussed as follows:

- For gross premiums written, a total of P [REDACTED] is reported which is a [REDACTED]% growth and an increase of P [REDACTED] compared to 2023.

- For Net Premiums Written, the Corporation earned a total of P [REDACTED] which is a [REDACTED]% growth and an increase of P [REDACTED] compared to P [REDACTED] of 2023.
- For premiums, a total of P [REDACTED] was earned which is a [REDACTED]% growth and an increase of P [REDACTED] of 2023.
- For total assets, the amount of P [REDACTED] was reported which is [REDACTED]% growth and a P [REDACTED] increase from [REDACTED] of 2023. For invested assets, a total amount of P [REDACTED] was reported which is a [REDACTED]% growth or an increase of P [REDACTED] from P [REDACTED] of 2023.
- For the paid up capital, a total of P [REDACTED] was reported, which is a [REDACTED]% growth or an increase of P [REDACTED] compared to from P [REDACTED] of 2023.
- The total net worth of the Company has increased to P [REDACTED] which is a [REDACTED]% growth or a total of P [REDACTED] increase from the reported P [REDACTED] of 2023.
- For net income, a total of P [REDACTED] was reported, which is a growth of [REDACTED]% and an increase of P [REDACTED] compared to [REDACTED] of 2023.

Ms. Parado highlighted that the notable rise in Underwriting Expenses was driven by increase in general and administrative expenses, primarily attributable to higher salaries and government contributions stemming from extended manpower.

Ms. Chiong asked whether if income tax expense has been paid for the year 2024. Ms. Parado confirmed that it has not been paid and a minor portion is still pending.

Ms. Chiong asked the possibility of maximizing time deposits to other types of investments. Ms. Santos explained that time deposit is the better option than treasury bills for the reason that processing fee is higher than the former. The same also explained that the Company's investment portfolio is diversified into multiple banking institutions such as BPI, BDO and PSBank, [REDACTED].

Lastly, Ms. Garcia requested for the status of Letter of Authority from BIR, Mr. Mahinay mentioned that it is still a pending request.

IV. REPORT OF THE INTERNAL AUDITOR AND PROPOSED AUDIT PLANS FOR THE YEAR 2025

Mr. Marlon A. Lim, the internal auditor shared his internal audit activity and recommendation as follows:

a. Ensure on-time submission of Monthly Collection Report

- ***Standardized Reporting Procedures.*** The recommendation is to develop a standardized template and reporting procedure for the Monthly Collection Report that can be easily followed by all branches.

The Finance Department initiated a reporting procedure last October 2024 at the Cashier's Conference. It is also recommended that the Finance Department should set a clear deadline for report submission (e.g. every 5th day of the new month) and to ensure full implementation and compliance by all branches.

- ***Establish Clear Deadlines and Accountability.*** The recommendation is to set a firm deadline for the submission of the Monthly Collection Report and assign accountability at

the branch and regional levels. It is better to designate a specific person (e.g. Branch Manager or Cashier) responsible for the timely submission.

- *Implement a Reporting and Review Checklist.* The recommendation is to introduce a checklist for branches to ensure all necessary data is included and validated before submitting the report and to require the branch managers to confirm completion of the checklist before submission.
- *Leverage Technology for Timely Reporting.* The recommendation is to implement or improve the use of technology for reporting to streamline the data collection, entry, and submission process. Automation and software solutions can reduce manual errors, ensure quicker data aggregation, and allow for real-time monitoring of report status. A recommendation to invest in a centralized financial reporting system to streamline data entry and reduce manual efforts is reported.
- *Regular Monitoring and Early Intervention.* To establish a monitoring mechanism to track the status of Monthly Collection Reports in real-time and intervene early if delays are detected. Proactive monitoring helps identify delays before they become systemic issues and provides an opportunity for intervention. Assign a compliance officer to track report submission on a monthly basis.
- *Conduct Regular Audits and Feedback Sessions.* The recommendation is to conduct regular audits and feedback sessions to evaluate the timeliness and accuracy of submitted Monthly Collection Reports. It is also recommended to provide feedback to branches and offer corrective actions or support where necessary.
- *Provide Additional Support and Training.* The recommendation is to offer additional training and support to branches that face challenges in submitting the reports on time. Some branches may face operational challenges that hinder timely reporting, so addressing these barriers can improve compliance. Our actionable step is to identify common bottlenecks and offer targeted support to branches (e.g. administrative assistance or temporary staffing).
- *Feedback Loop for Continuous Improvement.* The recommendation is to implement a feedback loop where branches can share their challenges and suggestions for improving the reporting process. Continuous improvement helps address issues early and ensures that the process remains efficient and adaptable. Address common challenges identified by branches (e.g. lack of resources, technological issues, unclear instructions).

b. Ensuring Branch Compliance with Cash Handling Procedure

- *Establish Clear Cash Handling Policies and Procedures.* The recommendation is to develop and implement detailed cash handling policies and procedures that are clearly communicated to all branch staff. Clear policies create a consistent framework for handling cash and ensure that all staff are aware of their responsibilities. Our step is to draft a comprehensive cash handling manual outlining every aspect of cash management, from receiving and storing cash to making deposits and reconciling balances.

Ms. Chiong asked regarding with any existing policies pertaining to cash handling in branch's collection process such as accumulated deposits of the branch. Ms. Santos

responded that she monitors branches' deposit level and every two (2) weeks made withdrawals, depending on the limit established by Treasury.

- *Segregation of Duties.* The recommendation is to ensure proper segregation of duties related to cash handling to prevent fraud and errors. Segregation of duties reduces the risk of fraud or financial misstatements by ensuring no single person has control over all aspects as cash management. It is also recommended to assign different individuals to handle cash receipts, deposit preparation, cash reconciliation, and record-keeping. Ensure that the person who authorized cash withdrawals or disbursements is not the same individual responsible for recording or reconciling the transactions.
- *Cash Custody and Security.* The recommendation is to implement strict controls around cash custody and storage to minimize the risk of theft or loss. Proper security measures are essential to ensure that cash is protected from unauthorized access or misuse. Store cash in a safe or locked drawer with limited access. Only authorized personnel should have the keys or codes to the safe. This has been implemented to branches whereas if they received the payment beyond banking hours, the same shall be deposited the next day.
- *Cash Deposit Procedures.* The recommendation is to ensure that cash deposits are made promptly and securely to reduce the risk to theft or loss. Timely deposits ensure that large sums of cash are not left on-site for extended periods. Reducing the exposure to potential risks. Establish a strict policy for making cash deposits, including a time frame for when deposits must be made (e.g. within 24 hours of receiving the funds).
- *Audit and Compliance Checks.* The recommendation is to implement regular internal audits and compliance checks to monitor adherence to cash handling policies and identify potential issues early. Regular audit provides a proactive way to ensure compliance and identify vulnerabilities before they become significant issues.
- *Incident Reporting and Fraud Prevention.* The recommendation is to establish an incident reporting system to allow staff to report any suspicious activity or concerns related to cash handling. A transparent reporting system helps identify potential fraud or errors early and supports a culture of accountability. Regularly review incident reports and audit logs to identify recurring issues or patterns.
- *Incentives for Compliance and Penalties for Non-Compliance.* The recommendation is to use a system of incentives for staff who consistently follow cash handling procedures and penalties for those who fail to comply. Rewarding good behavior and holding employees accountable for non-compliance can motivate adherence to cash handling protocols. Recognize and reward branches or individuals who maintain excellent compliance with cash handling policies (e.g. performance bonuses, certificates, or product acknowledgment).

Lastly, Mr. Lim informed the Audit Committee of Proposed Audit Plan for the year 2025 both for SSMB and Bethel Gen. The schedule of Audit Plan for Bethel Gen is presented as follows:

BGISC AUDIT OF PROCESSES

DATES	DEPARTMENT / UNIT
January 27, 28, 30 and 31, 2025	Finance Dept. - Credit and Collection
February 10 to 14, 2025	Finance Dept. - Gen. Acctng, Disbursement & Statutory Compliance
March 3 to 7, 2025	Sales and Marketing Dept. - Agency, Branches and CTPL
March 17 to 21, 2025	Sales and Marketing Dept. - Brokers and Business Development
March 24 to 27, 2025	Surety Dept. - Bonds
April 21 to 25, 2025	Operations Dept - Admin. Department
April 28 to 30, 2025	Operations Dept. - Purchasing Unit
May 6 to 9, 2025	Treasury Dept - Treasury & Cashier
May 26 to 30, 2025	Treasury Dept - Treasury & Cashier
June 9 to 13, 2025	MIS Department
June 16 to 20, 2025	Operations Dept. - HR
June 23 to 27, 2025	Operations Dept. - Legal
July 21 to 25, 2025	Underwriting & Reinsurance Department
July 28 to Aug 01, 2025	Underwriting & Reinsurance Department
Aug. 4 to 8, 2025	Claims Department
Aug. 11 to 15, 2025	Claims Department

The audit for Bethel Gen will focus on audit processes of departments which will end by August 2025. He also reported that the review of Finance Department processes has been finished. The Audit Board Committee approved the 2025 Audit Calendar.

V. ADJOURNMENT

The meeting was adjourned at 2:02 p.m. in the afternoon.

Certified Correct:


ATTY. DYANDELL G. MENDOZA
Corporate Secretary