



# FAR EASTERN UNIVERSITY



## AUDIT COMMITTEE CHARTER

### I. PURPOSE

The primary responsibility of the Audit Committee (or the Committee) is to assist the Board of Trustees (or the Board) in fulfilling its oversight responsibilities over Far Eastern University, Incorporated's (FEU or University) systems and processes relative to financial reporting, internal controls, the audit functions, and monitoring compliance with laws and regulations.

### II. COMPOSITION

The Committee shall be composed of at least three (3) members of the Board, at least one of whom shall be an independent trustee, and at least one has to have an accounting or finance background. The chair of the Committee should be an independent trustee. Each member shall have an adequate understanding of the Company's financial or management systems and operating environment. The Audit Committee shall be provided with adequate resources and trainings to undertake its duties.

The Committee should ensure that a succession plan is in place. In the absence of the Chairperson, the other independent director shall take his place. Any vacancy in the Audit Committee at any time shall be replaced through the action of the members of the Board.

### III. MEETINGS

The Committee shall meet at least once every quarter or at least four (4) times a year, or more frequently as needed. All committee members are expected to attend each meeting, in person or via tele- or video conference. The Committee will invite members of management, auditors or others to attend meetings and provide pertinent information, as necessary. It will hold private meetings with internal and external auditors, and executive sessions. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. Minutes will be prepared.

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#### IV. AUTHORITY AND RESPONSIBILITIES

The Committee will carry out the following responsibilities:

##### A. Financial Reporting and Disclosures

1. Review the quarterly, half-year and annual financial statements before their submission to the Board, with particular focus on the following matters: (a) any change/s in accounting policies and practices; (b) Major judgmental areas; (c) significant adjustments resulting from the audit; (d) going concern assumptions; (e) compliance with tax, legal and regulatory requirements.
2. Assist the Board in ensuring that the corporation consistently complies with the financial reporting requirements of the Securities and Exchange Commission.
3. Review with management and the external auditors all matters required to be communicated to the Audit Committee under generally accepted auditing standards.

##### B. Internal Control

1. Monitor and evaluate the adequacy and effectiveness of, and suggest measures for improvements in, the internal control systems and structures, including financial reporting control and information technology security and control.
2. Provide advisory services as needed, including assistance in review of control policies, provided such services do not affect the auditors' independence.

##### C. Risk Management

1. In coordination with the Risk Management Committee of the Board, ensure the implementation of the Board-approved risk oversight plans, and monitor management's activities in managing credit, market, liquidity, operational, legal and other relevant risks of the corporation. This function shall include receipt from management of appropriate information on risk exposures and risk management activities.

##### D. Internal Audit

1. Review and approve the internal audit charter and subsequent revisions thereto.
2. Review the appointment, performance, removal and replacement of the internal audit head who shall functionally report to the Committee and administratively to the Chairman and Chief Executive Officer.
3. Review and approve, for Board ratification, the annual audit plan (which shall include the audit scope, resources and budget necessary to implement it) and all major changes to the plan and ensure that internal audit examinations cover the evaluation of adequacy and effectiveness of controls.

4. Review the periodic reports, submitted by the internal audit department, on its activities, responsibilities and performance relative to the audit plans and strategies approved by the Committee. The reports should include significant risk exposures, and control issues
5. Require that the internal audit activities be conducted in accordance with the *International Standards on the Professional Practice of Internal Auditing*. If otherwise, require a disclosure that the internal audit department has not yet fully complied with the said standards.
6. Ensure that the internal auditors have free and full access to all the company records, personnel and resources relevant to and required by its function.

E. External Audit

1. Prior to the commencement of the audit, discuss with the external auditors the nature, scope and expenses of the audit.
2. Evaluate and determine the non-audit work, if any, of the external auditors and review periodically their non-audit fees as to materiality. The Committee shall disallow any non-audit work that will conflict with the duties or independence of the external auditor. The non-audit work, if allowed, should be disclosed
3. Review the performance of the external auditors, and recommend approval of the firm's appointment or discharge. Ensure that either the external audit firm or its signing partner is rotated or changed every five (5) years or earlier.
4. Review and confirm the independence of the external auditors by obtaining statements from the auditors on their relationships with the company, including non-audit services, if any.
5. Review the reports of the external auditor and ensure that management is taking appropriate actions in a timely manner.
6. Monitor the coordination of efforts between the external and internal auditors, and ensure that they act independently from each other.

F. Compliance

1. Coordinate, monitor and facilitate compliance laws, rules and regulations.
2. Obtain regular updates from management and company legal counsel regarding compliance matters.

G. Reporting and Other Responsibilities

1. Regularly report to the Board about Audit Committee activities, issues, and related recommendations.
2. Report annually to the shareholders, describing the Committee's composition, and responsibilities, and any other information required by rules, including approval of non-audit services.

#### H. Other Responsibilities

1. Perform other activities related to this charter as requested by the Board.
2. Assist the Board in determining or assessing material Related Party Transactions (RPTs), including the setting of criteria such as the threshold amount deemed by the Committee to be of significant impact to the University.
3. Review the terms and conditions of material RPTs and their required disclosures and endorse the same to the Board for approval, as needed, by itself or in coordination with others, as may be determined by the Board.

#### V. **AMENDMENT OF CHARTER**

The Committee shall review and assess the adequacy of the charter on a periodic basis. Any revision will require approval from the Board.