

NON-AUDIT SERVICES POLICY

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1.0 INTRODUCTION

As part of internal audit plan of work for the year 2013 and in accordance to International Standards for the Professional Practice of Internal Auditing (ISPPA), assurance engagements for functions over which the chief audit executive has responsibility must be overseen by a party outside the internal audit activity (PA 1130.A2).

The policy for non-audit services is done so in no circumstances can the internal audit department or individual internal auditor may accept operational responsibility or non-audit functions or duties that are subject to periodic internal audit assessments. The Chief Audit Executive (CAE) can use a contracted, third-party entity or external auditor/s to complete audits of those areas reporting to the CAE. The policy is focused on non-audit services that may be delegated to external auditor/s hence will prevent impairment of independence and objectivity of individual internal auditor while carrying out internal audit activity.

2.0 ROLES AND RESPONSIBILITIES

2.1 Purpose

This section defines the responsibilities of Internal Audit Department (IAD), the CAE as well as the President and other departments involved in the processing and approval of non-audit services or functions.

2.2 Persons and Offices Affected

This policy applies to all offices of Atok-Big Wedge Co., Inc. (AB), especially the IAD who have the direct or indirect responsibility in the processing, approving and supervising non-audit services or functions that may be delegated to outside third party or entity.

2.3 Policy Details

Individual Employee Responsibility

Every internal auditor composing the Internal Audit Department and other officers who are responsible in processing and approving, and supervising non-audit functions or services should understand the purpose of standard procedures, as well as the policies which support these procedures. It is an employee's responsibility to consult with his/her superior if the policies and procedures are not completely clear or if there may be difficulties in fulfilling the requirements of any policies and procedures. Any problems which arise should be brought to the attention of the Senior Management, including that of the President, if appropriate. Policies and procedures are not intended to restrict the efforts of employees, but to provide a foundation for complete and consistent consideration of all aspects of the internal audit activity.

The following lists represent the responsibilities of employees involved in the processing, approving and supervising non-audit functions or services:

2.3.1 Audit Committee

- Administer all audit as well as non-audit activities that are subject to periodic internal audit assessments
- Approve necessary non-audit services and non-audit services provider
- Obtain and examine the result of work of non-audit services provider be it a purchase of service as complete package or outsourcing of auditor

- Report to the Chairman of the Board for the results of audit

2.3.2 President

- Review request for non-audit functions/ services provider
- Approve selected non-audit functions/ services provider by the IAD
- Provide direction to the Company
- Approve request for payment for billing statement of non-audit services provider

2.3.3 Chief Audit Executive

- Review and recommend request for non-audit functions/ services provider for approval
- Approve selected non-audit functions/ services provider
- Supervise internal audit activity of IAD
- Administer the work of non-audit services provider that is a purchased of services
- When the internal audit activity accepts operational responsibility and that operation is part of the internal audit plan, the CAE needs to:
 - a) Confirm that individuals with operational responsibility for those areas reporting to the CAE do not participate in internal audits of the operation.
 - b) Ensure that internal auditors conducting the assurance engagement of those areas reporting to the CAE are supervised by, and report the results of the assessment, to senior management and the board.
 - c) Disclose the operational responsibilities of the internal auditor for the function, the significance of the operation to the organization (in terms of revenue, expenses, or other pertinent information), and the relationship of those who audited the function.
- Recommend request for payment for approval for the billing statement of non-audit services provider as compensation

2.3.4 Internal Audit Manager

- Lead IAD in forming internal audit plan
- Supervise the work of every subordinate while performing internal audit functions
- Communicate request for non-audit services provider to the CAE
- Initiate recruitment for non-audit services provider
- Prepare the contract for the non-audit services needed
- Select the best qualifying non-audit services provider
- Supervise the work of outsourced auditor
- Report to the CAE for the result of internal audit activity
- Manage compensation of outsourced auditor for processing

2.3.5 Individual Internal Auditor

- Coordinate with other internal auditor especially with the Internal Audit Manager for the accomplishment of internal audit plan
- Report to the CAE whenever responsibility for non-audit functions or duties that are subject to periodic internal audit assessments has been received
- Perform internal audit functions as part of internal audit activity
- Report to the Internal Audit Manager for any result of internal audit functions performed

2.3.6 Accounting Department

- Review the validity of expenses for compensation of non-audit services provider and record the same

- Compile supporting documents for future reference

2.3.7 Treasury Department

- Review request for payment for validity
- Release payment to the non-audit services provider

3.0 NON-AUDIT SERVICES

3.1 Purpose

The policy covers the engagement with Atok-Big Wedge Co., Inc., its affiliates and subsidiaries (collectively referred as the “Group”) of external auditor/s to supply non-audit services. The objectives of the policy are to:

1. Ensure that the provision of non-audit services does not impair the internal as well as the incumbent external auditor’s independence or objectivity;
2. Establish a straightforward and transparent process and reporting to enable the CAE to monitor policy compliance;
3. Avoid unnecessary restrictions on the purchase of services from the external auditors where they are able to demonstrate provision of a higher quality and more cost effective service than other providers.

3.2 Persons and Offices Affected

The policies and procedures outlined in this document apply to AB. It is the responsibility of the CAE, the IAD and other department and officers who are involved in the process for non-audit services to follow the policies and procedures described herein.

3.3 Policy Details

Non-audit services are inevitable for the accomplishment of internal audit plan of work for the year 2013. Non-audit services or functions are defined as any service assigned to external auditor or experts under engagement with the Group, due to its subjectivity to periodic internal audit assessments.

The following represents the types of additional non-audit functions that the Audit Committee may be considered for:

- Mergers & acquisitions, disposals and joint ventures;
- Benchmarking services;
- Completion accounts, assistance and advice;
- Forensic litigation services;

The Non-Audit Services that are specifically prohibited for CAE to request incumbent external auditor to provide are:

- Bookkeeping or other services related to the accounting records or financial statements of the audit client (including payroll or other processing or transaction services)
- Financial information systems design and implementation
- Appraisal or valuation services, fairness opinions or contribution-in-kind reports
- Actuarial services
- Internal audit outsourcing services

- Management functions
- Human resources
- Broker-dealer, investment adviser or investment banking services
- Legal services (except for approved tax litigation support for administrative purposes)
- Expert services unrelated to the audit
- Other Non-Audit Services that will not be permitted:
- Staff secondments
- Due diligence services related to loan underwriting or any other corporate finance or investment banking services
- Employee Tax Services (other than expatriate programs)
- Accounting advice for the Company's customers on prospective transactions, structures and so forth

3.3.1 Request

The Internal Audit Department (IAD) usually meets up annually for the audit plan. It is at this stage that necessary non-audit services come into view and decides for their request. These non-audit services are communicated to the Chief Audit Executive (CAE) for review and the Audit Committee. If the CAE and Audit Committee approve, request is automatically sent to the President for review and finally to the Audit Committee and Chairman of the Board for approval.

3.3.2 Recruitment

Unless approval for request is completed, IAD cannot initiate recruitment for non-audit services provider. Recruitment for non-audit services provider may only be done through reference from various persons or every officers in the Group stressing the required skills and expertise depending on the types of non-audit services needed.

3.3.3 Offer

All prospective non-audit services provider shall be given a chance for selection. List of all 'applicants' shall be prepared by the Internal Audit Manager so that offer will be initiated.

3.3.4 Selection

Some aspects IAD must consider on how to select auditors for non-audit services are: the types of non-audit services needed and the absolute and relative amount of non-audit services.

The Audit Committee believes that non-audit services are not an integral part of the examination of the Group's financial statements, and that these services may raise a real or perceived question as to the Auditor's independence. Accordingly, a very strong rationale must be presented to support the selection of the Auditor, and alternative service providers should be considered.

For the types of non-audit services, the CAE, having the right to review IAD's selection of non-audit services provider, may choose the incumbent external auditor or another provider. In all services purchased, the CAE and the Audit Committee's objective is to select the provider who is best placed to deliver the service in terms of quality and cost. It is recognized that the knowledge of key areas of the Group gained by the external auditors through the performance of their statutory audit work may enable them to be well placed to provide valuable services to the Group in respect of these areas.

In order to retain the option of utilizing the incumbent external auditor to provide non-audit services where it is in Group's best interests to do so, a number of criteria have to be met. These are so that the external auditor does not:

- Audit their own work;
- Make management decisions for the Group;
- Create a conflict of interest;
- Find themselves in the role of advocate for the company.
- To ensure that the provision of non-audit services does not impair the external auditor's independence or objectivity, the CAE should consider the following: whether the skills and experience of the audit firm make it the most suitable supplier of the non-audit service;
- whether there are safeguards in place to eliminate or reduce to an acceptable level any threat to objectivity and independence in the conduct of the audit resulting from the provision of such services by the external auditor;
- the nature of the non-audit services;
- the fees incurred, or to be incurred, for non-audit services both for individual services and in aggregate, relative to the audit fee; and
- the criteria which govern the compensation of the individuals performing the audit.

IAD may opt to outsource the selected auditor or to purchase non-audit services as a complete package. Any preference as well as the selected auditor or experts will be subjected to the review of CAE and approval of the President of the Group and the Audit Committee.

3.3.5 Signing of Contract

Until the Chairman of the Board approves the selected non-audit services provider, the Internal Audit Department shall continue the selection process for non-audit services provider. Upon approval of the Chairman, the Internal Audit Manager shall prepare a contract which contains all significant terms and conditions subject to review of the CAE and the Audit Committee. This shall be signed by the Internal Audit Manager, the selected non-audit services provider, the CAE, the President, the Audit Committee and the Chairman of the Board.

3.3.6 Supervision/ Reporting

It is the responsibility of the Internal Audit Department to supervise the work of outsourced auditor providing the non-audit services. As a separate entity, due diligence must also be observed by the head of the outsourced auditor in overseeing the work of his/her subordinate sent as an outsourced auditor to the Group. In case an incumbent external auditor is the one appointed to provide non-audit services, the Audit Committee is required to pre-approve all audit and non-audit services performed by the said incumbent external auditor to assure that they do not impair the auditor's independence from the Group. In case purchase of non-audit services from auditor or experts was preferred, they may report directly to the CAE.

When no third-party entity or external auditor is appointed to perform non-audit functions, the CAE shall ensure that internal auditors conducting the assurance engagement of those areas reporting to the CAE are supervised by, and report the results of the assessments to senior management and the board. The CAE shall also disclose the operational responsibilities of the internal auditor for the function, the significance of the operation to the organization (in terms of revenue, expenses or other pertinent information), and the relationship of those who audited the function (PA 1130.A2).

3.3.7 Compensation

Compensation for this kind of contractual services the outside party assumes is quite different from a regular employee of the Group. Compensation to be valid and processed must have an attached report or result for a given period of time. Billing will be coming from the non-services provider as a separate and independent entity base on the terms and conditions in the contract.

After all necessary supporting documents are attached, the billing statement shall be approved by the Internal Audit Manager and the CAE. The approved billing statement will be routed to the Accounting and Treasury Department for final review and release of payment may be executed upon approval.

3.4 Procedures

Process Number	Person Responsible	Process	Input (I)/ Output (O) Document, Frequency (F)
3.4.1 Approval for Non-audit Services			
3.4.1.1	Internal Audit Department	Meet up for internal audit plan and to decide for any necessary non-audit functions/ services provider	I : Unknown plan O: Annual internal audit plan; necessary non-audit functions/services F : Annually
3.4.1.2	Internal Audit Manager	Communicate necessary non-audit services to the Chief Audit Executive (CAE)	I : Annual internal audit plan; necessary non-audit functions/services O : Communicated non-audit services F : Annually
3.4.1.3	CAE	Review and convey non-audit services to the Audit Committee	I : Communicated non-audit services O: Reviewed and conveyed non-audit services F : Annually
3.4.1.4	Audit Committee	Review and approve necessary non-audit services	I : Reviewed and conveyed non-audit services O: Reviewed and approved non-audit services F : Annually
3.4.2 Request for Non-audit Services Provider			
3.4.2.1	Internal Audit Manager	Prepare request for non-audit services provider	I : Blank request for non-audit services provider O: Prepared request for non-audit services provider F : Annually
3.4.2.2	Internal Audit Manager	Transmit request for non-audit services provider to the CAE	I : Prepared request for non-audit services provider O: Transmitted request for non-audit services provider F : Annually
3.4.2.3	CAE	Recommend request for non-audit services provider for approval to the President	I : Received request for non-audit services provider O: Recommended request for non-audit services provider for approval F : Annually
3.4.2.4	President	Review and approve request for non-audit services provider; sent approved request to the Audit Committee	I : Recommended request for non-audit services provider for approval O: Approved request for non-audit services provider

Process Number	Person Responsible	Process	Input (I)/ Output (O) Document, Frequency (F)
			F : Annually
3.4.2.5	Audit Committee	Approve request for non-audit services provider and sent to the Chairman of the Board for final approval and completion	I : Recommended request for non-audit services provider for approval O: Approved and sent request for non-audit services provider F : Annually
3.4.2.6	Chairman of the Board (COB)	Decide whether to approve request or not	I : NA O :NA F : NA
If request is not approved:			
3.4.2.6A	COB	Do not approve request for non-audit services provider	I : Received request for non-audit services provider O: Unapproved request for non-audit services provider F : Annually
3.4.2.6A.1	Audit Committee	Communicate non-approval of request to Internal Audit Manager	I : Unapproved request for non-audit services provider O: Communicated unapproved request F : Annually
3.4.2.6A.2	Internal Audit Manager	Announce unapproved request for non-audit services to IAD and assign internal auditor to assume non-audit functions	I : Received unapproved request for non-audit services provider O: Announced unapproved request and assigned internal auditor to assume non-audit functions F : Annually
If request is approved:			
3.4.2.6B	COB	Approve request for non-audit services provider	I : Received request for non-audit services provider O: Approved request for non-audit services provider F : Annually
3.4.3 Recruitment and Selection for Non-audit Services Provider			
3.4.3.1	Internal Audit Manager	Announce completed request for non-audit services provider	I : Approved request for non-audit services provider O: Announced completed request F : Annually
3.4.3.2	Internal Audit Department	Search for best qualifying non-audit services provider	I : Announced completed request O: Searched best qualifying non-audit services provider F : Annually
3.4.3.3	Internal Audit Manager	Prepare list of best qualifying non-audit services provider	I : Searched best qualifying non-audit services

Process Number	Person Responsible	Process	Input (I)/ Output (O) Document, Frequency (F)
			provider O: List of best qualifying non-audit services provider F : Annually
3.4.3.4	Internal Audit Manager	Offer each best qualifying non-audit services provider on the list	I : List of best qualifying non-audit services provider O: Offered best qualifying non-audit services provider F : Annually
3.4.3.5	Internal Audit Manager	Select best qualified non-audit services provider	I : Offered best qualifying non-audit services provider O: Selected best qualified non-audit services provider F : Annually
3.4.3.6	Internal Audit Manager	Notify CAE of the selected best qualified non-audit services provider for recommendation	I : Selected best qualified non-audit services provider O: Notified CAE of selected best qualified non-audit services provider F : Annually
3.4.3.7	CAE	Review selected best qualified non-audit services provider and decide whether to recommend or not	I : Notified CAE of selected best qualified non-audit services provider O: Reviewed selected best qualified non-audit services provider F : Annually
If not recommended:			
3.4.3.7A	CAE	Do not recommend selected non-audit services provider Note: Repeat from process 3.4.3.2 until the CAE recommends selected best qualified non-audit services provider	I : Reviewed selected best qualified non-audit services provider O: Unrecommended selected non-audit services provider F : Annually
If recommended:			
3.4.3.7B	CAE	Recommend selected best qualified non-audit services provider	I : Reviewed selected best qualified non-audit services provider O: Recommended selected best qualified non-audit services provider F : Annually
3.4.3.7B.1	Internal Audit Manager	Sent recommended selected best qualified non-audit services provider	I : Recommended selected best qualified non-audit services provider O: Sent recommended

Process Number	Person Responsible	Process	Input (I)/ Output (O) Document, Frequency (F)
			selected best qualified non-audit services provider F : Annually
3.4.3.7B.2	President	Review recommended selected best qualified non-audit services provider and decide whether to approve or not	I : Received recommended selected best qualified non-audit services provider O: Reviewed recommended selected best qualified non-audit services provider F : Annually
If not approved:			
3.4.3.7B.2I	President	Do not approve recommended selected best qualified non-audit services provider Note: Repeat from process 3.4.3.2 until the President approves selected best qualified non-audit services provider	I : Reviewed recommended selected best qualified non-audit services provider O: Unapproved selected best qualified non-audit services provider F : Annually
If approved:			
3.4.3.7B.2II	President	Approve and communicate to the COB selected best qualified non-audit services provider	I : Reviewed recommended selected best qualified non-audit services provider O: Approved and communicated selected best qualified non-audit services provider F : Annually
3.4.3.7B.2II.1	COB	Review received selected best qualified non-audit services provider and decide whether to approve or not	I : Received selected best qualified non-audit services provider O: Reviewed selected best qualified non-audit services provider F :Annually
If not approved:			
3.4.3.7B.2II.1a	COB	Do not approve selected best qualified non-audit services provider Note: Repeat from process 3.4.3.2 until the Chairman approves selected best qualified non-audit services provider	I : Reviewed selected best qualified non-audit services provider O: Unapproved selected best qualified non-audit services provider F : Annually
If approved:			
3.4.3.7B.2II.1b	COB	Approve selected best qualified	I : Reviewed selected best

Process Number	Person Responsible	Process	Input (I)/ Output (O) Document, Frequency (F)
		non-audit services provider	qualified non-audit services provider O: Approved selected best qualified non-audit services provider F : Annually
3.4.4 Signing of Contract			
3.4.4.1	Internal Audit Manager	Prepare the contract for signing	I : Blank contract O: Prepared contract for signing F : Once
3.4.4.2	Internal Audit Manager	Route prepared contract to the CAE, the President, the Audit Committee and the COB	I : Prepared contract for signing O: Routed prepared contract F : Once
3.4.4.3	CAE, President, Chairman	Review and approve prepared contract and return the same to the Internal Audit Manager	I : Received contract for signing O: Signed contract F : Once
3.4.4.4	Internal Audit Manager	Receive signed contract and give the same to the selected non-audit services provider for signature	I : Signed contract O: Given signed contract to the selected non-audit services provider F : Once
3.4.4.5	Selected Non-audit Services Provider	Sign contract for agreement and keep a copy	I : Received contract O: Signed contract F : Once
3.4.4.6	Internal Audit Manager	File contract for non-audit services	I : Signed contract O: Filed signed contract F : Once
3.4.5 Supervision/ Reporting			
For purchase of service as complete package			
3.4.5A.1	Non-audit Services Provider	Begin job in accordance to own plan and procedures	I : Signed contract O: Started job F : Transactional
3.4.5A.2	Non-audit Services Provider	Finish job per terms and conditions in the contract	I : Started job O: Finished job F : Transactional
3.4.5A.3	Non-audit Services Provider	Compile results and report to the CAE together with billing statement for compensation	I : Finished job O: Reported to CAE F : Once
For outsourced auditor			
3.4.5B.1	Non-audit Services Provider	Assume duty and responsibility per terms and conditions	I : Signed contract O: Assumed duty and responsibility F : Transactional
3.4.5B.2	Internal Audit Manager; Head of Non-audit Services Provider as a separate entity	Supervise the work of outsourced auditor while performing duty and responsibility	I : Assumed duty and responsibility O: Supervised work of outsourced auditor F : Frequently
3.4.5B.3	Outsourced Auditor	Compile results of work for a given	I : Supervised work

Process Number	Person Responsible	Process	Input (I)/ Output (O) Document, Frequency (F)
		period of time to bill the Group	O: Compiled results F : Transactional
3.4.6 Compensation			
3.4.6.1	Outsourced Auditor	Prepare billing statement together with accomplished DTR and attached to the compiled results	I : Blank billing statement and accomplished DTR O: Attached prepared billing statement and accomplished DTR F : Transactional
3.4.6.2	Internal Audit Manager	Report to the CAE for the compiled results of the work done by the outsourced auditor	I : Compiled results with attached prepared billing statement and accomplished DTR O: Reported compiled results with attachments F : Transactional
3.4.6.3	CAE	Review report and communicate to the Audit Committee; approve billing statement	I : Reported compiled results with attachments O: Approved billing statement F : Transactional
3.4.6.4	Audit Committee	Obtain and examine report	I : Obtained report O: Examined report F: Annually
3.4.6.5	Internal Audit Manager	Process payment by forwarding billing statement to the Accounting Department	I : Approved billing statement O: Forwarded billing statement F : Transactional
3.4.6.6	Accounting Department	Review billing statement and record expenses for compensation (Professional fee)	I : Received billing statement O: Recorded expenses for compensation F : Transactional
3.4.6.7	Accounting Department	Prepare request for payment (RFP)	I : Recorded expenses for compensation O: Prepared RFP F : Transactional
3.4.6.8	Accounting Department	Process RFP for complete approval and forward the same to the Treasury Department upon completion	I : Prepared RFP O: Forwarder approved RFP F : Transactional
3.4.6.9	Treasury Department	Review RFP for validity and release payment	I : Received approved RFP O: Review approved RFP; released payment F : Transactional

4.0 PROCESS FLOWCHART

To follow