



**dimaculangan,
dimaculangan and co. cpa's**

BDA Accreditation No. 0416 (Up to March 19, 2024)
SEC Accreditation No. 0383 – F (Group B) (Up to September 09, 2022)
BIR Accreditation No. 08-002906-000-2020 (Up to April 13, 2023)

Engagement Proposal for

ALLIED CARE EXPERTS (ACE) MEDICAL CENTER – ILOILO INC. Assurance Audit for the year ended December 31, 2021

July 13, 2021

ALLIED CARE EXPERTS (ACE) MEDICAL CENTER – ILOILO INC.
2nd floor, Iloilo Medical Society Building,
Luna Street, Brgy. Bantud,
Lapaz, Iloilo City

Attention: Dr. Ferjenel G. Biron
President

Gentlemen:

We are pleased to submit our proposal to undertake an audit of the financial statements of **ALLIED CARE EXPERTS (ACE) MEDICAL CENTER – ILOILO INC.** (the “Company”) for the year ending December 31, 2021. This letter sets forth our understanding of the terms and objectives of our engagement, the nature and scope of the services we will provide, and the related fee arrangements.

Scope of Work

The scope of our financial audit will essentially include the following:

1. Submission of the audited financial statements of the Company for the year ending December 31, 2021.
2. Review of the accounting and financial matters as to whether the financial statements reasonably comply with applicable financial reporting standards.
3. Understanding internal control systems and procedures relative to the financial audit.
4. Substantiation on a test basis the processing and recording of the Company’s transactions.
5. Be available for consultation with the Company’s officers and management on matters relative to the finalization of financial audit.

We will perform this engagement subject to the terms and conditions set forth herein.

Audit of Financial Statements

Our audit of the Company’s financial statements for the years ending December 31, 2021 will be conducted in accordance with Philippine Standards on Auditing (PSA).

We will plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. However, because of the characteristics of fraud, particularly those involving concealment and falsified documentation (including forgery), a properly planned and performed audit may not detect a material misstatement. Therefore, an audit conducted in accordance with PSA is designed to obtain reasonable, rather than absolute assurance, that the financial statements are free of material misstatement. An audit is not designed to detect error or fraud that is immaterial to the financial statements.

An audit includes a general evaluation of crucial internal control systems and procedures sufficient to plan the audit and to determine the nature, timing, and extent of audit procedures to be performed. An audit is not designed to provide assurance on internal control or to identify reportable conditions.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

The objective of our audit is the expression of an opinion on the fairness of the presentation of the Company's financial statements in conformity with applicable financial reporting standards, in all material respects. Our ability to express an opinion, and the wording of our opinion, will, of course, be dependent on the results of the facts and circumstances at the date of our report. If, for any reason, we are unable to complete the audit due to incomplete submission of important documents (i.e. Bank Reconciliation Statements of Major Bank Accounts or Board Resolutions, etc.) or are unable to form or have not formed an opinion due to differences in opinion on particular accounting standards, we may decline to express an opinion or decline to issue a report as a result of this engagement. However, if we are unable to complete our audit or if our auditors' report requires modification (to either render a qualified or adverse audit opinion), the reasons thereof will be discussed with the Company's management.

Your Management's Responsibility

The financial statements is the prime responsibility of your management. In this regard, your management is solely responsible for establishing and maintaining effective internal control over financial reporting, identifying and ensuring that the Company complies with the laws and regulations applicable to its activities, properly recording transactions in the accounting records, making appropriate accounting estimates, safeguarding assets, including the overall accuracy of the financial statements and their conformity with applicable financial reporting standards, and above all, making all financial records and related information for our examination, under the principle of full disclosure.

We will make specific inquiries from your management about the representations reflected in the financial statements. As part of our audit procedures, we will request that your management provide us with a representation letter acknowledging management's responsibility for the preparation of the financial statements and confirming certain representations made to us by your accounting representatives during our audit. The responses to those inquiries and related written representations of your management required by PSA are part of the evidential matter that we will rely on as auditors in forming our opinion on the Company's financial statements.

Because of the importance of your management's representations, the Company agrees to release and indemnify our Firm, Dimaculangan, Dimaculangan and Company, CPAs, and its personnel from all claims, liabilities and expenses relating to our services under this engagement letter attributable to any misrepresentation by your management.

Other Communications Arising from the Audit

1. Report directly to the Company's management and the Board of Directors matters coming to our attention during the course of our audit that we believe are reportable conditions. Reportable conditions are significant deficiencies in the design or operation of internal control that could adversely affect the Company's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements;
2. Inform the appropriate level of management of the Company and ensure that the Company's management is adequately informed with respect to illegal acts that have been detected or have otherwise come to our attention in the course of our audit, unless the illegal act is clearly inconsequential; and
3. Report directly to the Company's management any fraud of which we become aware of that involves senior management and any fraud (whether caused by senior management or other employees) that causes a material misstatement of the financial statements. We will report to senior management any fraud perpetrated by lower level employees of which we become aware of that does not cause a material misstatement of the financial statements; however, we will not report such matters directly to the Board of Directors, unless otherwise directed by the Board of Directors.
4. In addition, we shall also communicate to the Board of Directors other matters related to the conduct of our audit, including, but not limited to, the following:
 - Our responsibility as auditors under PSA
 - Significant accounting policies
 - Management judgments and accounting estimates
 - Significant audit adjustments (recorded and unrecorded)
 - Other information in documents containing audited financial statements
 - Disagreements with management (if any)
 - Consultation by management with other accountants on significant matters
 - Difficulties encountered in performing the audit
 - Major issues discussed with management prior to our retention as auditors.
5. We may also have other comments for management on matters we have observed and possible ways to improve the efficiency of the Company's operations or other recommendations concerning accounting and certain internal controls. With respect to these other communications, it is our practice to discuss all comments, if appropriate, with the level of management responsible for these matters, prior to their communication to senior management.

Timing and Coordination of the Audit

Our audit will be scheduled upon confirmation of the acceptance of the engagement.

Our engagement requires that you will provide us:

- a) Assistance from your personnel to include the preparation of schedules, reconciliation statements and analyses of accounts, as listed in a separate letter to be sent to you after the acceptance of this proposal. Timely submission of audit requirements will facilitate the completion of our audit.

Should there be change, amendments or revisions to the previously submitted audit requirements (like trial balance and, or analyses, breakdowns/schedules, etc.), which would entail additional man-hours and efforts, - you unconditionally agree to allow us to charge additional fees, over and above our agreed rate below.

- b) Submission of other documents which we will require in the course of the audit should also be submitted to us within the duration of the audit and not after completion (neither should the requirements be submitted a few days before the last day of fieldwork).
- c) In the event that we will be required to prepare ourselves the schedules we would require, we will discuss the same with you and get your approval of its cost consequence.
- d) Reasonable working area during the course of the audit fieldwork.
- e) Time to answer inquiries and discuss transactions to validate the figures in the financial statements.

Professional Fees and Out-of-Pocket Expenses for Financial Audit

Professional Fees

Our fees are based on the amount of time required at various levels of responsibility, plus actual out-of-pocket expenses (e.g., transportation, supplies, and communications). We estimate that our total fees for this audit will be **TWO HUNDRED TWENTY THOUSAND PESOS (P220,000.00)** plus **VAT of 12%** amounting to **TWENTY-SIX THOUSAND FOUR HUNDRED PESOS (P26,400.00)** payable as follows:

Schedule of Payments	Contract Price	VAT	Total
Upon Acceptance (Upon Signing of the Contract)	60,000.00	7,200.00	67,200.00
Upon start of audit	40,000.00	4,800.00	44,800.00
First Progress billing- in progress billing	30,000.00	3,600.00	33,600.00
Second Progress billing- in progress billing	30,000.00	3,600.00	33,600.00
Upon submission of audit report and opinion	40,000.00	4,800.00	44,800.00
Total Contract Price	200,000.00	24,000.00	224,000.00

The foregoing fee is based on our estimated man-hours to complete our fieldwork and finalize the financial statements (but only upon receipt of our audit requirements).

We will notify you immediately of any circumstances we encounter that could significantly affect our estimate.

Out-of-Pocket Expenses

Reimbursement for out-of-pocket expenses not exceeding 10% of the total audit billing such as cost of printing, postage, transportation, overtime meals and communication will be for your account and will be billed upon completion of audit. On our part, we shall endeavor to keep out-of-pocket expenses to a minimum.

Out of Town Audit Expenses

In the event of audit fieldwork outside Metro Manila, the client is to shoulder the transportation (e.g. airfare), lodging, meals and all other necessary costs of out-of-town audit fieldwork which will be paid in advance by the client.

Additional Time Spent

Should there be excess man-hours in the course of our audit, the same shall be communicated to you and will be billed separately.

Other Matters

Other Services

Should there be other services which may be required of us outside the scope of work, the same shall be billed to you separately under terms and conditions mutually agreed upon by us.

Early Termination of Contract

Should you decide to terminate our services before the completion of the engagement for whatever cause, we will bill you the amount of time spent on the engagement based on our prevailing hourly rate.

Hiring of Our Personnel

During the effectivity of this engagement, you shall not offer employment to our assigned staff members during and within one year after the completion of the engagement.

Tax Services

Tax consultancy services (tax advice – verbal, e-mail or in writing), tax study, tax compliance and other tax related work shall be performed upon your request in a separate fee arrangement.

Audit Requirements

We expect submission of all audit requirements not later than **February 04, 2022** and audit starts after submission of complete documents.

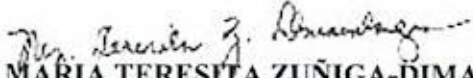
If the above terms are acceptable to the Company and the services outlined are in accordance with your understanding, please sign a copy of this letter in the space provided and return it to us.

We appreciate the opportunity to be of service to the Company.

Yours truly,

DIMACULANGAN, DIMACULANGAN AND COMPANY, CPAs

By:


MARIA TERESITA ZUÑIGA-DIMACULANGAN
Managing Partner

Accepted and agreed to by:

ALLIED CARE EXPERTS (ACE) MEDICAL CENTER – ILOILO INC.

By : _____
Position : _____
Date : _____