

# INTERNAL AUDIT CHARTER


**PT Bank BTPN Syariah Tbk**

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**INTERNAL AUDIT CHARTER OF  
PT BANK BTPN SYARIAH TBK (“BANK”)**

**1. Introduction**

Internal Audit Charter constitutes the official document defining the objectives, authorities and responsibilities of internal audit activities. This Charter confirms the Internal Audit position in the organization of PT Bank BTPN Syariah, Tbk (the “Bank”), the independence as well as working relationship with the external parties. As the official confirmation, this Internal Audit Charter determines that the Internal Audit is committed to highly uphold the code of ethics as the value in performing its obligations referring to the code of ethics determined by the prevailing Internal Audit associations both in Indonesia and internationally.

This Internal Audit Charter is composed based on the Regulation of the Financial Services Authority (OJK) of the Republic of Indonesia regarding the Application of Internal Audit Function in Commercial Banks and International Practices Framework (IPPF) issued by the Institute of Internal Auditor (IIA), which also include the Basic Principles of Internal Audit Professional Practices, the Code of Ethics, the Standards and Definition of Internal Audit.

**2. Definitions, Visions, and Missions**


Definitions

The Internal Audit is the independent and objective functions in performing the assurance and consulting provision activities with the objective of providing added value and operational efficiency improvement in the organization through systematic approach, and carrying out evaluation towards the effectiveness of risk management, internal control, and governance process in the Bank.

Visions

To become a strategic business partner for the Bank through verification towards the adequacy and effectiveness of Governance, Risk Management, and Control (GRC) as well as to apply the best practice of audit standard through competent and professional auditor.

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Missions

To improve and protect the value of the organization through risk-based and objective assurance, advice, and insight activities. The Internal Audit assists the Bank to achieve its objectives through systematic and discipline approach in carrying out evaluation and improving GRC effectiveness.

**3. Internal Audit Position**

The Internal Audit Position in the organization is explained as following:


- 3.1. the Head of Internal Audit is directly accountable to the President Director of the Bank and in performing its duties, the Internal Audit submits reports to the President Director, the Board of Commissioners, the Audit Committee, and the director in charge of the compliance function
- 3.2. The Internal Audit is led by the Head of Internal Audit appointed and dismissed by the President Director upon the approval of the Board of Commissioners with due regards to the recommendation of the Audit Committee
- 3.3. Every appointment, replacement or dismissal of the Head of Internal Audit must be reported to OJK or the authorized institutions supplemented by the considerations and reasons for the appointment or the dismissal

**4. Principal Duties**

The principal duties of the Internal Audit are explained as following:

- 4.1. Assist the duties of the President Director and the Board of Commissioners in performing the supervision by means of describing operationally both the planning, implementation and monitoring of the audit result
- 4.2. Prepare analysis and assessment in the sectors of finance, accounting, operations, and other activities, through audit
- 4.3. Identify any possibilities to correct and improve efficiency in the utilization of resources and source of fund
- 4.4. Provide advices on improvement and objective information regarding the audited activities on all managerial levels

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**5. Responsibilities**

The responsibilities of the Internal Audit cover the planning, implementation, and reporting of audit activities, including the monitoring of audit findings. In performing the responsibilities aforesaid, the Internal Audit must provide analysis result and assessment in the sectors of finance, accounting, operations, and other activities through audit, identify any possibilities to correct and improve the efficiency on the utilization of resources and source of fund as well as provide advices of improvement and objective information related to the audited object.

**6. Scope**


- 6.1. The scope of Internal Audit activities covers the evaluation and improvement towards the effectiveness of GRC in the overall aspects of Bank’s activities, including the activities of the subsidiary companies (if required), by providing independent and objective assurance and consulting services.
- 6.2. The Internal Audit may carry out coordination of activities as well as consider to rely on the result of audit work and consulting services carried out by the internal and external parties in ensuring the appropriate scope and minimizing duplication of work
- 6.3. The advisory or consulting services provided by the Internal Audit must not obstruct the main duties and responsibilities, as well as the independency of internal audit function. It is not permitted to have conflict of interest and the Internal Audit must have the appropriate expertise to perform the services aforesaid. The management continues to maintain the accountability in decision making to choose the appropriate control in the case of risk mitigation

**7. Authorities**

The Internal Audit has the authorities to:

- 7.1. Have the access over the entire information regarding the company (the entire functions in the organization, records, employees, resources and sources of fund, as well as other assets of the Bank) related to its duties and functions
- 7.2. Allocate the resources, determine the frequency, choose the subject, and determine the scope of the required audit activities to achieve the audit objectives

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- 7.3. Apply the audit method in accordance with the professional standards and generally applicable audit standards as well as adjust them to the condition on site
- 7.4. Acquire the required assistance from the audited unit personnel and the experts both from the environment and from outside the organization
- 7.5. The internal Audit may be involved in the joint audit assignment and/or participate in the audit assignment carried out by the Parent Bank as a part of the transfer of knowledge and staff development.
- 7.6. Provide support related to implementation of Internal Audit function of the Subsidiary Company which covers the planning of annual audit, the implementation of audit as well as the monitoring of audit follow up.
- 7.7. Carry out direct, periodic and/or incidental communications and interactions with the Board of Directors, the Board of Commissioners, the Audit Committee, and the Sharia Supervisory Board (DPS) including through personal meetings without the presence of the Management as well as attending strategic meetings without possessing any voting right.
- 7.8. Establish communication with OJK at least within 1 (one) year.
- 7.9. Carry out coordination of activities with external auditor

## **8. Code of Ethics and Requirements of Auditor**

Every Internal Auditor in the Internal Audit organization must apply and highly uphold the professional code of ethics referring to the Code of Ethics of the Bank and The Institute of Internal Auditors which cover the following principles:

- 8.1. **Integrity**  
The integrity of Internal Auditor establishes confidence and, therefore, becomes the basis of trust towards the considerations of the Internal Auditor.
- 8.2. **Objectivity and Independency**  
The Internal Auditor demonstrates professional objectivity on the highest level in obtaining, evaluating, and communicating information regarding the audited activities or processes. The Internal Auditor carries out balanced assessment over any relevant matters and is not influenced in an unduly manner by the interest of his own or of other parties in providing considerations.

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**8.3. Confidentiality**

The Internal Auditor respects the value and ownership of information which he received and does not disclose such information in an unauthorized manner, unless it is prescribed by the laws or the profession.

**8.4. Competence**

The Internal Auditor applies the knowledge, competence, and experience required in providing the Internal Audit services.


In addition, as the requirement, every auditor, both individually and/or collectively, must possess sufficient knowledge and work experience in the sectors of banking operation and management, internal audit, IT, Risk Management, Compliance, Financial Accounting Standards, the appropriate laws and regulations with the audit scope and other disciplines of knowledge which are relevant to their specialization.

**9. Accountability of Internal Audit**

The Internal Audit has the responsibility of reporting as following:

- 9.1. Report the appointment or dismissal of the Head of Internal Audit
- 9.2. Report the audit report which covers the assessment on the adequacy and effectiveness of GRC, the Information Management System, the compliance towards the provisions of the laws and regulations, including the compliance towards the sharia principles on the entire aspects of bank activities, organization performance quality as well as provide recommendations for the required improvements
- 9.3. Prepare report on every audit finding anticipated to disrupt the continuity of the Bank’s businesses. The report must be immediately submitted to OJK by the President Director
- 9.4. Report the result of reassessment by independent external parties
- 9.5. Prepare the report on the implementation and the main points of the audit results submitted to OJK in accordance with the prevailing regulations. The report aforesaid will be executed by the President Director and the President Commissioner
- 9.6. Report the summary of internal audit to the officer in charge of the internal audit function from the Parent Bank

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**10. Relationship with the External Parties**


- 10.1. The Internal Audit must establish good communication with the external parties, such as the regulator and the external auditor to create synergy and exchange of information with the objectives of improving the quality of internal control, risk control, and corporate governance of the Bank
- 10.2. The Internal Audit may also carry out outsourcing to the third party by adhering to the prevailing outsourcing regulations for bank-wide, similar to the presence of working contract with other external parties possessing certain expertise to assist in several audit assignment and will be obliged to carry out rotation of periodic working assignment by considering the sufficient waiting period

**11. Independency and Objectivity**

The Independency and Objectivity of Internal Audit is explained as following:

- 11.1. The Internal Audit receives full support from the management in order to be able to work freely without the interference of any party whomsoever
- 11.2. The Internal Audit will not be permitted to have direct operational responsibility or authority towards the audited activities
- 11.3. The members of the Internal Audit will not be permitted to serve concurrently in other office or to perform other operational activities. Including in this matter to perform internal control, to create procedure, system installation, make record or perform other activities which could interfere with the assessment
- 11.4. The members of the Internal Audit should avoid conflict and interest bias, both actual and potential
- 11.5. The members of the Internal Audit will not be permitted to receive any form of gift given by the auditee. The Auditor will be permitted to receive hospitality at the time performing the audit within reasonable limits as well as will be obliged to report such matter to the Head of Internal Audit.
- 11.6. The Internal Audit will carry out periodic assignment restriction and consider the sufficient assignment waiting period to the members of the Internal Audit.
- 11.7. The Internal Audit must disclose independency or objectivity interference, if any, to the President Director and the Audit Committee.

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**12. Responsibility of the Head of Internal Audit**


In performing his duties and responsibilities, the Head of Internal Audit will be obliged to possess sufficient competence and capability in leading independent and effective internal audit function as prescribed by the Regulator.

The Head of Internal Audit has the following duties and responsibilities:

- 12.1. Ensuring that the implementation of internal audit function is in accordance with the Internal Audit Professional Standards and the Internal Audit Code of Ethics
- 12.2. Ensuring that the Internal Audit in the collective manner has the competent human resources in accordance with the needs in the performance of duties of Internal Audit
- 12.3. Ensuring that the members of the Internal Audit keep up with the sustainable professional development as well as other trainings in accordance with the development of Bank’s business complexity and activities
- 12.4. Composing and reviewing the internal audit charter, the policies and procedures designed to become the guidelines for the Internal Audit periodically
- 12.5. Composing the risk-based annual audit plan and the allocation of budget for the performance of internal audit function to be reassessed by the President Director and the Audit Committee to be further approved by the President Director and the Board of Commissioners
- 12.6. Reassessing, adjusting the annual audit plan, and obtaining approval of the President Director and the Board of Commissioners, if required as the responses towards change of businesses, risks, operations, programs, systems, and controls
- 12.7. Ensuring the performance of internal audit in accordance with the annual audit plan, including the determination of objectives and scopes, the appropriate assignment and the sufficient supervisory, documentation of work program and test result, as well as the communication related to the result of assignment supplemented by the conclusions and recommendations to the appropriate parties
- 12.8. Reporting significant findings to the Board of Directors to take corrective actions promptly
- 12.9. Monitoring and reporting the corrective actions over the significant findings to the Board of Directors and the Board of Commissioners with the copies sent to the Audit Committee and the director in charge of the compliance function

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- 12.10. Ensuring that the utilization of external party services does not affect the independency and objectivity of the Internal Audit, complies with the Audit Charter, and the transfer of knowledge from the third parties is carried out sufficiently
- 12.11. Performing the supervisory function related to the Internal Audit on the subsidiary companies
- 12.12. Submitting findings related to the implementation of fulfilment of sharia principles to the Sharia Supervisory Board
- 12.13. Ensuring that the principles of integrity, objectivity, confidentiality, and competency have been applied and are highly upheld by the audit team

**13. Quality Assurance and Improvement Program**

- 13.1. The Internal Audit must carry out Quality Assurance and Improvement Program (QAIP) towards the entire aspects of Internal Audit. This program covers the evaluation towards the conformity of implementation to the prevailing standards and the Internal Audit Code of Ethics. This program also assesses the efficiency and effectiveness of Internal Audit as well as the opportunities for improvements
- 13.2. The external parties providing evaluation on the conformity of the Internal Audit practices to the standards must be carried out once in 3 (three) years which is for the period of July up to June in the subsequent third year. The evaluation by the external parties may be carried out less than 3 (three) years by continue taking into account the last period up to June and will be obliged to carry out the rotation of periodic work assignment by considering the sufficient waiting period.

**14. Closing**

This Internal Audit Charter is stipulated to become the basis of work for the Internal Audit. The Internal Audit Charter will be reviewed at least once in 3 (three) years. The Internal Audit Charter will be effective starting as of its date of stipulation.

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