

## **INTERNAL AUDIT CHARTER PT BANK PEMBANGUNAN DAERAH JAWA TIMUR Tbk**

No: 061/162/DIR/AUI/KEP

To maintain and secure business activities according to the vision and mission of PT Bank Pembangunan Daerah Jawa Timur Tbk and to provide the basis and work guidelines for the Internal Audit Division, it is necessary to establish an Internal Audit Charter. The Internal Audit Charter of PT Bank Pembangunan Daerah Jawa Timur Tbk, is prepared based on:

- OJK Regulation No.56/POJK.04/2015 on the Establishment and Guidelines for Drafting the Internal Audit Charter.
- OJK Circular Letter No.21/SEOJK.03/2017, dated June 6, 2017, on Implementing Risk Management in the Use of Information Technology by Commercial Banks.
- OJK Regulation Number 1/POJK.03/2019 on Implementing the Internal Audit Function in Commercial Banks.
- OJK Regulation No. 39/POJK.03/2019 on Implementing Anti-Fraud Strategy for Commercial Banks.
- OJK Regulation No.38/POJK.03/2016, dated December 1, 2016, on Implementing Risk Management in the Use of Information Technology by Commercial Banks, has been changed to OJK Regulation No.13/POJK.03/2020, dated March 24, 2020.
- Bank Indonesia Regulation No.22/23/PBI/2020, dated December 29, 2020, on Payment System.
- Bank Indonesia Regulation No.23/06/PBI/2021, dated July 1, 2021, on Payment Service Providers.

### **CHAPTER I VISION, MISSION & FUNCTION**

#### **Vision**

To become an Internal Audit that can act as a consultant & strategic partner.

#### **Mission**

1. To help the organization achieve its goals by providing independent and objective assurance and consulting as well as adding values.
2. To evaluate the effectiveness, efficiency, and adequacy of the internal control system, risk management, and corporate governance process through the implementation of Risk-Based Audit.
3. To manage Internal Audit activities effectively and efficiently (operational excellence).
4. To develop Internal Audit competence and optimize information technology use.
5. To improve the synergy between internal and external audit functions.

## **Function**

The Internal Audit Division participates in helping the organization achieve its goals through internal audit activities (assurance and consulting) and investigative activities to provide an independent assessment of internal control, risk management, and organizational governance (corporate governance process). The Internal Audit Division acts as the third line of defence by assessing the effectiveness of the operations carried out in the first and second line of defence. This process provides independent assurance to the Bank that the internal control system, risk management, as well as processes and governance systems have been appropriately implemented.

## **CHAPTER II POSITION IN THE ORGANIZATION**

### **The Internal Audit Division Position in the Organization**

1. The Internal Audit Division shall have the support of the Board of Directors and the Board of Commissioners; therefore the auditors can work well with the Auditee and carry out their work without obstacles.
2. The Internal Audit Division is lead and held by the Head of the Internal Audit Division, appointed and dismissed by the President Director of the Bank with the approval of the Board of Commissioners, taking into account the recommendations of the Audit Committee and reporting to the Financial Services Authority.
3. The Head of the Internal Audit Division in the organization is directly under and responsible to the President Director of the Bank. To support independence, ensure a smooth audit, and have the authority to monitor follow-up actions, the Internal Audit Division can communicate with the Board of Directors, Board of Commissioners, the Audit Committee, and the Board of Sharia Supervisory.

## **CHAPTER III DUTIES AND RESPONSIBILITIES**

### **Duties & Responsibilities of the Internal Audit Division**

1. Planning and carrying out Internal Audit activities with the emphasis on areas/activities with high risk and evaluating existing procedures/control systems to ensure the Bank's goals and objectives can be achieved optimally.
2. Evaluating and playing an active role in improving the effectiveness of the internal control system on an on going basis related to implementing Bank operations that are at risk of causing losses.
3. Providing consulting services to internal parties to offer added value and improvements to the quality control, risk management, and corporate governance, as long as it does not affect the independence and objectivity of Internal Audit and human resources are available.

4. Implementing the steps to dig up the information (investigation), reporting, and submitting recommendations/conclusions on fraud to the Management.
5. Providing recommendations, objective information on audit results and monitoring the follow-up results of Internal Audit and investigative activities.

## **CHAPTER IV AUTHORITY**

### **Authorities of Internal Audit Division:**

1. Carrying out Internal Audit activities and having full, free and unrestricted access to records, information, employees, funds, assets, locations/areas, and other resources related to implementing audits and consultations.
2. Communicating directly with the Board of Directors, Board of Commissioners, Audit Committee, and Board of Sharia Supervisory.
3. Holding regular and incidental meetings with the Board of Directors, Board of Commissioners, Audit Committee, and Board of Sharia Supervisory.
4. Communicating and coordinating with external parties, including regulators.
5. Participating in strategic meetings without voting rights.
6. Conducting investigative activities on cases/problems in every aspect and element of activities that indicated fraud and violations of the code of conduct.

## **CHAPTER V CODE OF ETHICS**

### **INDEPENDENCE, OBJECTIVITY, AND PROFESSIONALISM**

The Internal Audit Division shall be able to act as a consultant for internal parties that need it, especially concerning the scope of its duties. It can provide feedback on policy proposals or systems and new procedures to assess the aspects of internal control; thus in its implementation, the objectives can be achieved effectively and efficiently. The involvement of the Internal Audit Division in this system review does not mean that those things will be excluded as audit objects.

**The Internal Audit Division does not have the authority or responsibility to carry out the operational activities of the Auditee.**

### **Independence**

The Internal Audit Division has independence in carrying out Internal Audit and investigative activities, expressing views and thoughts following their profession and applicable standards.

1. Management shall provide full support to the function of the Internal Audit Division. Hence, it can carry out its duties freely without interference from any party, and management shall follow up on the findings of the Internal Audit Division.

2. An Internal Auditor can express their views and thoughts without any influence or pressure from any other party.
3. The Internal Audit Division has the freedom to determine the method, scope, technique and approach of the audit process that will be carried out.
4. In the personnel management, the Internal Auditor shall be approved by the President Director and the Head of the Internal Audit Division.

To carry out the function of the Internal Audit Work Unit (SKAI), which also acts as an internal consultant, the provision of consulting services given by the Internal Audit Division to internal parties shall pay attention to the independence aspects, including:

1. There is a separation between the Internal Audit Division personnel who provides consulting services on a policy and the Internal Audit Division personnel who conducts an audit of the referred policy.
2. There is a disclosure that the consultation results do not affect the objectivity of the Internal Audit Division.

### **Objectivity**

1. Internal Auditors and Investigators shall have an independent mental attitude in internal audit and investigative activities. This mental attitude is reflected in a complete and objective report based on careful and impartial analysis.
2. An Internal Auditor and Investigators are free from conflict of interest on the object or action being investigated. Supposed the Internal Auditor and the Investigator have a conflict of interest on the object or activity being examined, the person concerned shall state the relationship and not be assigned to carry out an audit of the object or referred activity.

### **Professionalism**

Professionalism has to be the reference for Auditors in carrying out their duties. For this reason, the Auditors shall have the following attitudes:

1. Integrity, independent, honest, objective, diligent, reliable, firm, countable, able to avoid conflicts of interest, and upholds the ethics and professionalism of Internal Auditors, including being wise and careful in using the information obtained in carrying out their duties and not use confidential information for personal interests or other matters that may cause losses to the Bank (confidentiality code).
2. Having competence that meets the required competency profile.
3. Having good skills in interacting and communicating effectively, both verbal and written.
4. Able to comply with the internal auditor's code of ethics and the Internal Auditor's Professional Standard for Internal Auditors, as well as comply with the Investigator's code of ethics and the Investigator's Professional Standard for Investigators.
5. Able to maintain the confidentiality of bank information and or data related to the implementation of the duties and responsibilities of the Internal Auditor unless required by the rules of laws or court ruling or sentence.

## CHAPTER VI INTERNAL AUDITOR REQUIREMENTS

In carrying out their duties, the Internal Auditor shall meet the following requirements:

1. Having integrity and professional behaviour, independent, honest, and objective in carrying out their duties.
2. Knowledge able and experience regarding technical audits and other disciplines relevant to their field of work.
3. Having good communication and interaction skills, both verbal and written, effectively.
4. Complying with the professional standards issued by the Internal Audit Association.
5. Complying with the Internal Audit code of ethics.
6. Maintaining the confidentiality of Bank information and or data related to the implementation of the duties and responsibilities of the Internal Audit unless required by the rules of laws or court ruling or sentence.
7. Understanding the principles of good corporate governance and risk management.
8. Willing to improve knowledge, skills, and professional abilities continuously.
9. It is not allowed for employees under the Internal Audit function to concurrently carry out duties, positions and implementers of the Bank's operational activities, including in the subsidiary companies.

## CHAPTER VII RESPONSIBILITIES OF THE INTERNAL AUDIT DIVISION

### **Head of Internal Audit Division Mandatory:**

1. Having adequate competence and ability in leading an independent and objective Internal Audit function and having certification in the auditing field.
2. Ensuring the implementation of the internal audit function is following the Internal Audit Professional Standards and the Internal Audit Code of Ethics.
3. Selecting competent human resources who meet the requirement in implementing SKAI duties.
4. Ensuring that SKAI members participate in continuous professional development and other training in accordance with the development of complexity and the Bank's business activities;
5. Preparing and reviewing the Internal Audit Charter periodically.
6. Preparing an annual audit plan and budget allocation to implement the Internal Audit function.
7. Ensuring that the implementation of Internal Audit is under the Internal Audit plan.
8. Reporting significant findings to the Board of Directors for corrective action promptly on time.

9. Monitoring corrective actions on significant findings.
10. Ensuring that when there is the use of external party services for Internal Audit activities:
  - a. The transfer of knowledge between external parties to the SKAI members, considering the use of expert services from external parties, is temporary.
  - b. The use of external party services does not affect the independence and objectivity of the SKAI function.
  - c. External parties comply with the Bank's Internal Audit Charter.
11. Reporting results of monitoring follow-up improvements on significant findings to the Board of Directors and the Board of Commissioners, with a copy to the Audit Committee and the Director in charge of the compliance function.
12. Reporting findings related implementing of sharia principles to the Sharia Supervisory Board.

## **CHAPTER VIII**

### **INTERNAL AUDIT ACTIVITIES AND INVESTIGATION**

#### **Internal Activities**

1. The Internal Audit Division carries out its activities based on the annual audit plan approved by the President Director and the Board of Commissioners through the consideration of the Audit Committee.
2. The Internal Audit Division is required to submit reports on the results of the implementation of Internal Audit activities to the President Director and/or the Board of Commissioners with a copy to the Board of Commissioners, the Audit Committee, and the Director in charge of the Compliance function.
3. The Internal Audit Division must submit reports to the Regulator following the applicable regulations.
4. The Internal Audit Division monitors, analyzes, and reports to the President Director and the Board of Commissioners through the Audit Committee regarding the progress of the follow-up improvements that have been made.
5. On condition that the Auditee does not carry out the follow-up implementation, the Internal Audit reports to the President Director and the Board of Commissioners through the Audit Committee for further action by the Director in charge of the Compliance function.
6. The Internal Audit Division can use the services of external experts, both from within the company and outside the company if necessary, to carry out the inspections and still refer to the applicable regulations.

#### **Investigative Activities**

1. The Internal Audit Division investigates cases of problems in every aspect and element of activities that indicate fraud and violations of the code of conduct.
2. Investigative activities reveal the modus operandi, causes, potential losses, perpetrators and other parties involved.

3. The Internal Audit Division reports the results of the investigation to the President Director to obtain a decision.

## **CHAPTER IX**

### **THE RELATIONSHIP OF THE INTERNAL AUDIT DIVISION WITH EXTERNAL AUDITORS OR LEGAL EXPERTS**

1. The Internal Audit Division can exchange information and coordinate its activities with the external auditors' activities or legal experts, which can be carried out through periodic meetings to obtain complete and optimal audit results with prior approval from the President Director.
2. The relationship between the Internal Audit Division and the external auditor shall be known by the President Director and the Board of Commissioners/Audit Committee.

## **CHAPTER X**

### **LIMITATION POLICY AND WAITING TIME**

1. New Internal Audit Division members who are recruited from specific units must pass a cooling-off period of at least one year before being assigned to audit the unit where the person was assigned.
2. The use of services provided by Public Accountants to audit financial statements is for a maximum of 3 consecutive financial years. It can only reuse that audit services after passing a cooling-off period for at least two successive years.
3. There will be periodic employee rotation within the Internal Audit Division.

## **CHAPTER XI**

### **REPORTING**

#### **Head of Internal Audit Division Mandatory:**

1. Submitting the audit report to the President Director and the Board of Commissioners with a copy to the Audit Committee and the Director in charge of the Compliance function. The management shall respond and immediately take the necessary steps based on the results of the Internal Audit examination.
2. Preparing the implementation report and the main points of the audit results to be submitted to the Regulator every semester. The report is signed by the President Director and the Board of Commissioners.
3. Preparing the report immediately on any audit findings that are expected to disrupt the continuity of the Bank's business. Reports shall be immediately submitted to the Regulator by the President Director and the Board of Commissioners.

## **CHAPTER XII AUDIT DEVELOPMENT**

Internal Auditors must be responsible for their profession and always carry out their duties according to applicable standards and continue to develop knowledge, technical capabilities, and relevant scientific disciplines, thus, they can provide quality work. To support this, the Bank's directors must ensure that the internal auditors receive continuous and adequate education and training in their respective fields to keep up with the Bank's developments.

## **CHAPTER XIII AUDIT RISK**

As it is known, Internal Audit is part of the internal control system, but is not intended to provide absolute security. It is required to be able to develop optimal programs and procedures. Still, it is not meant to be able to detect every problem because in carrying out its duties, internal audit has limitations, including:

1. The scope of work of the Internal Auditor is to evaluate the effectiveness and adequacy of controls, not to detect all problems.
2. The risk-based audit method approach is done due to the limited resources of internal audit in carrying out the audit process. This approach is carried out at the stages of audit planning, preparation, and implementation, which is determined based on the risk assessment in the annual audit plan.
3. The effectiveness of the audit program depends on the adequacy and validity of the data

Internal auditors are required to be able to carry out the audit program carefully. However, they are not required to be able to detect every problem that exists in the activities being audited. As a result, it is possible that, even though the internal auditor has implemented work procedures carefully, a problem / loss / cheat / omission has not been detected.

## **CHAPTER XIV LEGAL PROTECTION**

Banks shall always provide protection to all leaders and employees within the Internal Audit Division in order to carry out the duties, obligations, responsibilities and authorities. To support this, the Bank shall provide legal experts / lawyers through the Law Division.



## CHAPTER XV MISCELLANEOUS

1. At least once in three years, the Internal Audit Charter needs to be assessed for its adequacy by the President Director and approved by the Board of Commissioners taking into account the recommendations of the Audit Committee in order that the implementation of Internal audit activities is always at an optimal level.
2. This Internal Audit Charter comes into force on the date of stipulation and if in the future there are developments in the Bank's business activities, the Internal Audit Charter will be adjusted as necessary.

Set in : Surabaya

Date : 15 Juli 2022

### PT BANK PEMBANGUNAN DAERAH JAWA TIMUR Tbk

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Suprajarto  
President Commissioner

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Busrul Iman  
President Director