

INTERNAL AUDIT CHARTER


PT Bank Tabungan Pensiunan Nasional Syariah Tbk

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Page 1 of 7

	INTERNAL AUDIT CHARTER	CONFIDENTIAL
		Version 05

INTERNAL AUDIT CHARTER

PT BANK TABUNGAN PENSIUNAN NASIONAL SYARIAH TBK (“BANK”)

1. Introduction

Internal Audit Charter is the official document that governs the scope, responsibility and authority of Internal Audit Unit of the Bank. This charter affirms the position of Internal Audit Unit in the organization structure of the Bank, its independency and working relationship with external parties. This Internal Audit Charter is also the official confirmation that Internal Audit Unit is committed to uphold the code of ethics of internal auditor in implementing its duties and obligations. Such code of ethics refers to the code of ethics stated by the association of internal audit applicable in Indonesia as well as international.

The content of this internal audit charter refers to the Regulations of Financial Services Authority Republic of Indonesia concerning the Implementation of Internal Audit Function in the Commercial Bank and International Practices Framework (IPPF) issued by the Institute of Internal Auditors (IIA).

2. The Position of Internal Audit Unit

The position of Internal Audit Unit in the organization is described as follows:


- 2.1. The Head of Internal Audit Unit reports directly to the President Director and in the undertaking of duties, Internal Audit Unit submits the reports to the President Director and the Board of Commissioners, copy furnished to the Audit Committee and the Director in charge of Compliance.
- 2.2. Internal Audit is chaired by Internal Audit Head who is appointed and discharged by the President Director with the approval of the Board of Commissioners taking into consideration the recommendation of Audit Committee.
- 2.3. Every appointment, replacement and dismissal of Internal Audit Head must be reported to the Financial Services Authority or the authorized institution stating the consideration and reason for the appointment or dismissal.

3. Scope of Internal Audit Unit

The scope of Internal Audit Unit includes analysis and evaluation of the adequacy and effectiveness of the implementation of GRC, Information Management System, compliance to legal regulations including compliance to Sharia principles in all aspects of the Bank activities, and the quality of the performance of the organization.

Internal Audit Unit can facilitate coordination of activities and may consider to rely on the result of inspection and consulting services performed by internal and external parties in

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	Page 2 of 7

	INTERNAL AUDIT CHARTER	CONFIDENTIAL
		Version 05

ensuring the right adequacy and minimizing duplication of works.

Advisory or consulting services performed by Internal Audit Unit should not distract the unit from performing the main duties and responsibilities nor reduce the independency of the internal audit function. Conflict of interest is prohibited and Internal Audit must have the required expertise to deliver such services. Management will maintain the accountability in deciding the right control to mitigate risks.

4. Main Duties

The main duties of Internal Audit Unit are:


- 4.1. Assist the President Director and the Board of Commissioners in performing supervision by managing the process of planning, implementing and monitoring audit results;
- 4.2. Conduct analysis and evaluation in the areas of finance, accounting and operations and other activities through audit;
- 4.3. Identify all opportunities to improve the efficiency of the use of resources and fund; and
- 4.4. Provide suggestion for improvement and objective information about the activities inspected at all levels of management.

5. Authority

Internal Audit Unit is authorized to:

- 5.1. Access all information of the company (all functions in the organization, records, employees, resources, funds and other assets of the Bank) that is related to the duties and function of Internal Audit;
- 5.2. Allocate resources, determine the frequency, choose the subjects and set the scope of audit activities that are required to achieve the objectives of audit;
- 5.3. Implement audit methodology according to the generally accepted professional standard and audit standard with necessary adjustment to the situation in the field;
- 5.4. Obtain necessary assistance of the employees in the unit being audited or the subject matter experts both from the internal and external organization;
- 5.5. Communicate directly to the Directors, the Board of Commissioners, Audit Committee and Sharia Supervisory Board including through private meeting without the presence of Management and Financial Services Authority at least once a year.
- 5.6. Conduct meeting on regular basis and incidental meeting with the Directors, the Board of Commissioners, and Audit Committee and the Sharia Supervisory Board;

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	Page 3 of 7

	INTERNAL AUDIT CHARTER	CONFIDENTIAL
		Version 05


- 5.7. Coordinate activities with external auditors;
- 5.8. Attend strategic meeting without voting rights.

6. Code of Ethics and Auditor Requirements

Every auditor must obey the standard code of ethics of the Bank and the code of ethics of auditor profession and fulfill the requirements including:

- 6.1. Integrity
 - 6.1.1. Perform the job with honesty, perseverance and responsibility;
 - 6.1.2. Obey the prevailing legal regulation and profession regulations;
 - 6.1.3. Is not part of any illegal activities or participate in the inappropriate activities in the profession of Internal Auditor or organization;
 - 6.1.4. Implement Code of Ethics Internal Audit.
- 6.2. Objectivity
 - 6.3.1. Do not participate in the activities that may influence the objective evaluation or create conflict of interest;
 - 6.3.2. Do not receive anything that may influence the professional opinion;
 - 6.3.3. Report the audit result according to facts and evidences found.
- 6.4. Confidentiality
 - 6.4.1. Is obliged to keep the confidentiality of information related to the implementation of audit duties and responsibilities;
 - 6.4.2. Do not use the information for personal interest or other interest that is in conflict with law or objectives of the organization.
- 6.5. Competency
 - 6.5.1. Has the knowledge and experience about audit technicality and other knowledge that is relevant with the duties, including the understanding of good corporate governance and risk management, legal regulations in Capital Market and other related legal regulations;
 - 6.5.2. Has the capability to interact and communicate effectively both in oral and in writing;
 - 6.5.3. Apply the knowledge, expertise and experience in due professional care;
 - 6.5.4. Perform audit process according to the Standard of Internal Auditor Profession;
 - 6.5.5. Improve the knowledge, expertise and professional capability and audit quality on continuous basis.

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	Page 4 of 7

	INTERNAL AUDIT CHARTER	CONFIDENTIAL
		Version 05

7. Responsibility of Internal Audit Unit

Internal Audit Unit is responsible for the following:


- 7.1. Report the appointment and discharge of Internal Audit Head;
- 7.2. Report the audit result that includes the assessment of the adequacy and effectiveness of GRC, Information Management System, compliance to the legal regulations including compliance to the Sharia principles in all aspects of the bank activities, quality of organization performance, and provide recommendation for improvement if necessary.
- 7.3. Prepare immediate report for every audit finding that could potentially disrupt the continuity of the Bank business. The report must be immediately submitted to Financial Services Authority by the President Director.
- 7.4. Report the result of the review of independent external party.
- 7.5. Prepare the report of audit implementation and main points of audit results to be submitted to the Financial Services Authority according to the prevailing regulations. The report must be signed by the President Director and the President Commissioner.
- 7.6. Report the internal audit summary to the Officer in charge of internal audit function of the parent company.

8. Independency and Objectivity

Independency and Objectivity of Internal Audit Unit are explained as follows:

- 8.1. Internal Audit Unit has the full support of the management in order to perform the duties free from any intervention of any parties;
- 8.2. Internal Audit Unit is not allowed to have direct operational responsibility or authority to the activities being audited;
- 8.3. Member of Internal Audit Unit is not allowed to hold dual position or perform other operational activities; including performing internal control, developing procedures, systems installment, preparing the records or performing other activities that may influence the evaluation;
- 8.4. Member of Internal Audit Unit should prevent the bias of the conflict of interest both actual and potential;
- 8.5. Internal Audit Unit applies limitation to periodic assignment and adequate cooling-off period to the member of Internal Audit Unit;
- 8.6. Member of Internal Audit Unit recruited from certain unit must go through cooling-off period before being assigned to perform audit in the unit where he/she comes from;
- 8.7. Internal Audit Unit applies limitation in the utilization of services and adequate cooling-off period for external parties.

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	Page 5 of 7

	INTERNAL AUDIT CHARTER	CONFIDENTIAL
		Version 05

8.8. Internal Audit Unit must disclose potential distraction in independency or objectivity, if any, to the President Director and Audit Committee.


9. Responsibilities of Internal Audit Head

In the undertaking of duties and responsibilities, the Internal Audit Head is obliged to have the adequate competency and capability in leading the internal audit function that is independent and effective as required by the Regulator.

The Internal Audit Head is tasked with the following duties and responsibilities:

- 9.1. Ensure the implementation of internal audit function according to the Internal Audit Professional Standards and Code of Ethics Internal Audit;
- 9.2. Ensure that Internal Audit Unit collectively has the competent human resources according to the needs for the implementation of the duties of Internal Audit Unit;
- 9.3. Ensure that members of Internal Audit Units obtain continuous professional development and other training according to the development of the complexity and the Bank business activity;
- 9.4. Prepare and review, on periodic basis, the internal audit charter, policy and procedures as the guidance for the internal audit;
- 9.5. Prepare risk-based annual audit plan and allocate budget for the implementation of internal audit function to be reviewed by the President Director and Audit Committee and to obtain approval from the President Director and the Board of Commissioners;
- 9.6. Review, adjust annual audit plan and obtain the approval of the President Director and the Board of Commissioners, if required in response to the changes in business, risks, operations, program, system and control;
- 9.7. Ensure the implementation of internal audit is in accordance to the annual audit plan including the setting of objectives and scope, right assignment and adequate supervision, work program documentation and test result, and communication of the assignment results complete with the conclusion and recommendation to the right party;
- 9.8. Report significant finding to the Directors for immediate corrective action;
- 9.9. Monitor and report the corrective action of the finding to the Directors and the Board of Commissioners copy furnished to Audit Committee and Director in charge of Compliance;
- 9.10. Ensure that the utilization of services from external party does not influence independency and objectivity of Internal Audit, complies to the Audit charter, and that transfer of knowledge from the third party is well executed;
- 9.11. Communicate the finding related to the fulfillment of Sharia principles to the Sharia Supervisory Board.

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	Page 6 of 7

	INTERNAL AUDIT CHARTER	CONFIDENTIAL
		Version 05

10. Assurance and Quality Improvement Program

Internal Audit Unit must implement assurance and quality improvement program to all aspects of Internal Audit. This program includes the evaluation of the conformity of the implementation to the prevailing standards and Code of Ethics Internal Audit. This program also evaluates the efficiency and effectiveness of Internal Audit Unit and identifies opportunities for improvement.

11. Relationship with External Parties

Internal Audit Unit must build good communication with external parties, such as regulator and external auditor to create synergy and facilitate exchange of information in order to improve the quality of internal control, risk management and governance of the Bank.

12. Closure

This Internal Audit Charter is made to be the foundation of the work of Internal Audit Unit. The Internal Audit Charter shall be reviewed at least once in 3 (three) years. The Internal Audit Charter takes effect since the date it is stipulated.

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	Page 7 of 7