



# INTERNAL AUDIT FUNCTION

The Internal Audit Function is a strategic business partner for management in optimizing the Company's GCG implementation and providing assurance and advice independently and objectively regarding the Company's Internal Controls. The Internal Audit Function is implemented by the Internal Audit Division (IAD), one of which is by objectively evaluating Risk-Based Audits and consulting services, especially those that involve improving and refining Risk Management, Internal Control and Governance Processes. This function is performed through a proactive, enthusiastic and dynamic approach, communicating effectively, business and stakeholder oriented, understanding the root issues of the problem and areas that possess a high risk, emphasizing the findings of quality, and recommending practical and workable solutions.

## POSITION OF THE INTERNAL AUDIT FUNCTION WITHIN THE ORGANIZATIONAL STRUCTURE

The position of the Internal Audit Division (IAD) as the executor of the Internal Audit Function is under the supervision of the President Director as stipulated based on the Board of Directors' Decree No. 03/KD/DIR/SIPD/2017 dated April 20, 2017 concerning the Organizational Structure of PT Bank Tabungan Negara (Persero) Tbk, which was updated in the Decree of the Board of Directors No. 02/DIR/KD/HCOD/2018 dated March 29, 2018 concerning changes to the provisions of the Board of Directors Number 04/KD/SIPD/2017 concerning the Organizational Structure of PT Bank Tabungan Negara (Persero) Tbk. In addition, the position of the Internal Audit Function is also explained in the Internal Audit Charter No. 03-SKB/DECOM-DIR/BTN/IAD/VI/2011 dated June 30, 2011 in Chapter II, article 3 as follows:

1. Article 3 Paragraph (1) states that the Internal Audit Division (IAD) is an Internal Audit Work Unit (SKAI) within a Bank organization whose position is directly under the President Director.

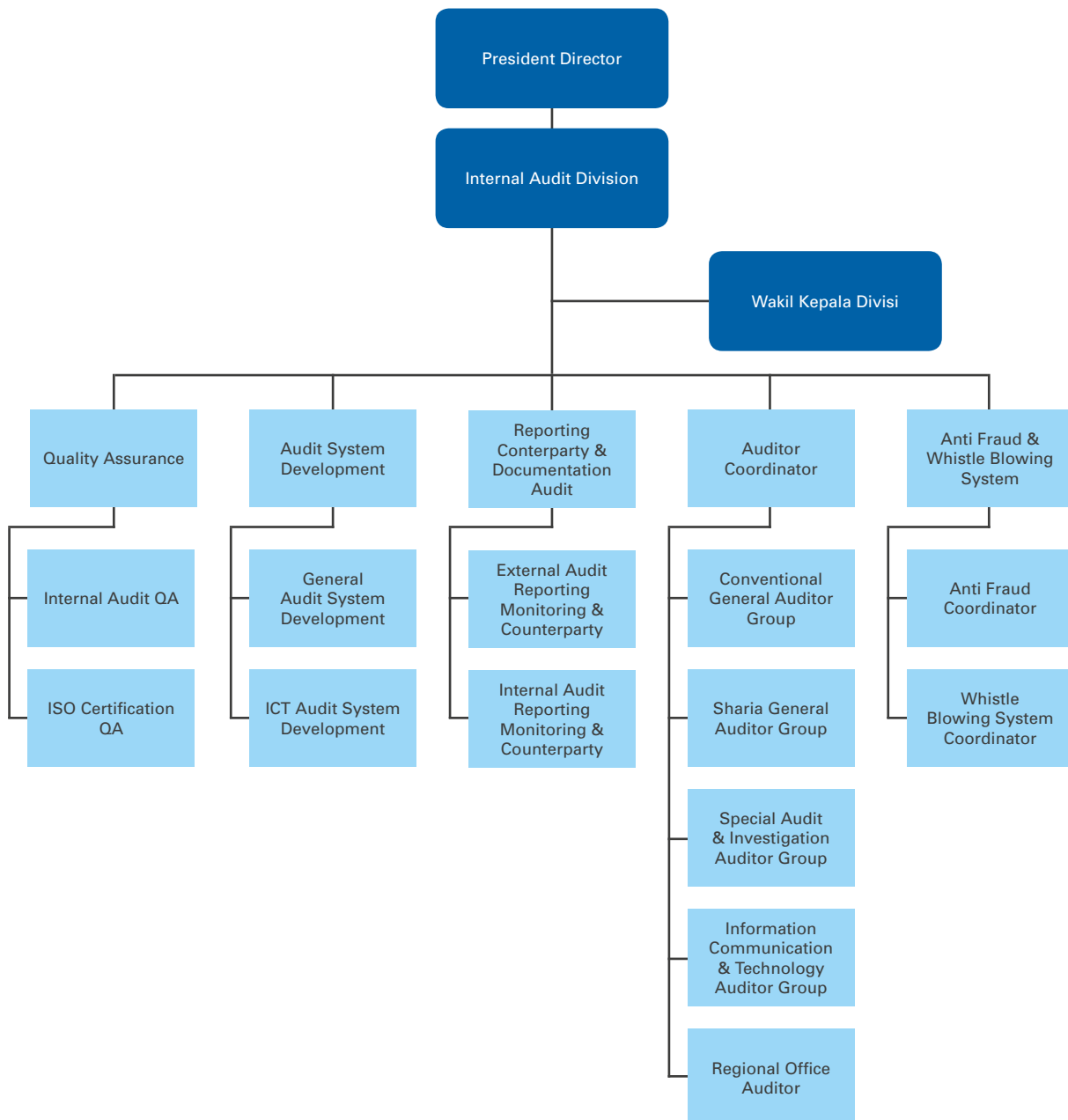
2. Article 3 Paragraph (2) states that the IAD as referred to in paragraph (1) is led by a Division Head who is directly responsible to the President Director.
3. Article 3 Paragraph (3) states that the Head of the IAD as referred to in paragraph (2) is appointed and dismissed by the President Director with the approval of the Board of Commissioners and reported to Bank Indonesia and the Capital Market and Financial Institution Supervisory Agency.
4. Article 3 Paragraph (6) states that the Auditors serving in the IAD are directly responsible to the Head of the IAD.

## APPOINTMENT AND DISMISSAL OF THE HEAD OF THE INTERNAL AUDIT

The parties involved in the appointment or dismissal of the Head of the Company's Internal Audit are the Managing Director, the Board of Commissioners and the Financial Services Authority as regulators. Broadly speaking, the involvement of several parties referred to in the appointment or dismissal is as follows:

1. The President Director conducts a Fit and Proper Test for candidates of the Head of the Internal Audit Work Unit.
2. The President Director submits an application for the approval of the appointment/dismissal of the Head of the Internal Audit Unit to the Board of Commissioners.
3. The Board of Commissioners then either approves or does not approve the appointment/dismissal of the Head of the Internal Audit Unit.
4. The Board of Commissioners and the Board of Directors submit reports regarding the appointment/dismissal of the Heads of the Internal Audit Unit to the Financial Services Authority as regulators.

THE INTERNAL AUDIT ORGANIZATIONAL STRUCTURE





## HEAD OF THE INTERNAL AUDIT PROFILE

The current Head of the Internal Audit Unit is Ms. Triani Pudjiastuti, who has served effectively since November 13, 2017 based on the Decree of the Board of Directors No. 612/DIR/2017 November 7, 2017 concerning Employee Rotation/Promotion and was approved by the Board of Commissioners.



Indonesian citizen, 55 years old, domiciled in Jakarta. Obtained a Bachelor of Economics degree from Gajah Mada University, Yogyakarta in 1985.

### Work Experience

Started her career at PT Bank Tabungan Negara (Persero) Tbk since 1986 and previously has served as Head of Finance & Accounting Division (2011 - 2017).

### Training

Participated in a number of educational workshops both at home and abroad as follows: Developing The Strategic Manager 2 organized by AGSM UNSW business School, Australia in 2016, Training in Asset Accounting (PSAK & ISAK) held by the Indonesian Accounting Association (IAI), Jakarta in 2017, the Asset Accounting Implementation Workshop held by PT Barka Cahaya Mediatama in Jakarta in 2017.

### Triani Pudjiastuti

Head of Internal Audit

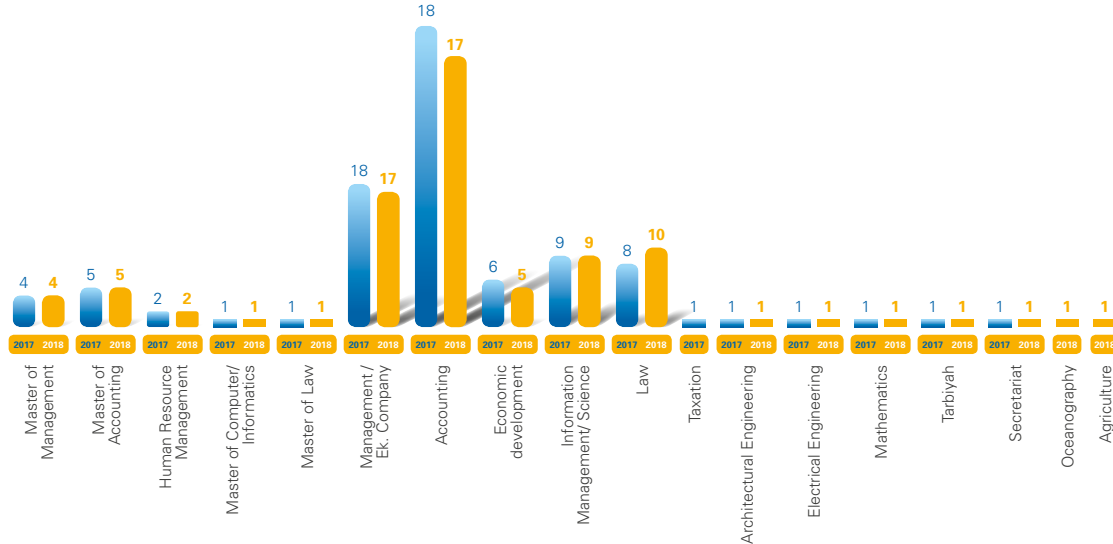
## INTERNAL AUDIT PERSONNEL PROFILE

The Company is highly motivated regarding the adequacy in the composition of the Internal Audit Division in supporting the implementation of its duties in terms of the number of job qualifications for competence. The Internal Audit Division personnel numbers 99 (ninety nine) personnel who are led by 1 (one) Head of Division and assisted by 1 (one) Secretary, 1 (one) Audit Coordination Head, 6 (six) Quality Assurance people, 6 (six) Personnel in the Audit System Development Department, 7 (seven) Personnel in the Audit Department Reporting to Counterparty, 42 (forty two) Conventional General Auditors, 8 (eight) Sharia General Auditors, 8 (eight) Special & Investigative Auditors, 5 (five) Information Technology Communication Auditors, 9 (nine) Regional Office Auditors, 3 (three) Personnel in the Anti-Fraud & Whistleblowing System Strategy and 2 (two) personnel on Special Assignments (Audit Committee)

## INTERNAL AUDIT FUNCTION

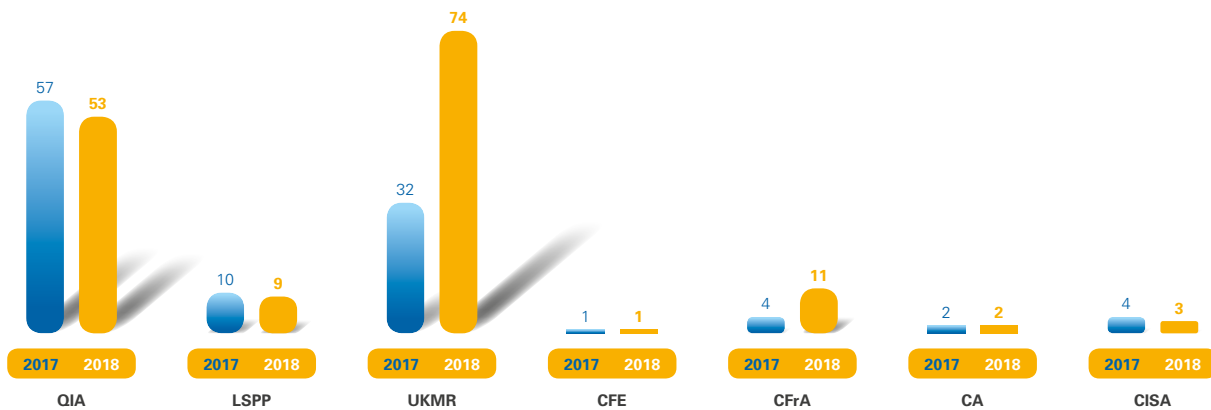
The composition of the Internal Audit Division is based on their formal education, which can be viewed in the following diagram:

**Composition of Internal Audit Division Personnel Based on Education**



Meanwhile, the total number of Internal Audit Division personnel certifications can be viewed in the following diagram:

**Internal Audit Division Personnel Certification**



Remarks: QIA (Qualified Internal Auditor), LSPP/Banking Professional Certification Institution (certifying auditor competencies for auditor level to assessor), UKMR (Risk Management Competency Test), CFE (Certified Fraud Examiner), CFA (Certified Forensic Auditor), CA (Certified Accountant) and CISA (Certified Information Systems Auditor).

In addition, the Company has also formed an Audit Team assigned to each Business and Operational Unit. Preparation and determination of the number of personnel for each Audit Team is performed by considering the results of the Risk Assessment of 14 business processes and ICT management activities, Auditor qualifications (position and focus of competence), as well as Branch/Division/Desk classes. Determination and adequacy of the number of personnel who will also have an impact on the Audit day and preparation of IAD Audit costs. The composition of the Audit Team assigned to each business unit is as follows:



**Table Audit Team**

Business Unit	Team Head			Team Member		
	AS	SAA	AA	SA	AG-14	AG-13
<b>General Audit</b>						
Head Office - Division	1			1	2	
Regional Office	1			1	2	
Branch office						
First class	1			1	2	
class I		1		1	2	
class II		1		1	1	1
class III			1	1	1	1
Sharia Unit			1	1	1	1
<b>Audit ICT</b>						
Application: Office Division/Desk and DT I		1	1	1	1	
Application: Branch Office Sampling		1	1	1	1	
Fraud Investigation	1			1		
Special Review		1		1		
<b>Special Audit</b>						
ISO Surveillance regarding IAD Work Units			1	1		
ISO Surveillance in the Auditor Group			1	1		
Audit ISO 1-5-1 Credit Distribution			1	2		

Notes: AS = Audit Superintendent (Set. Department Head - Grade 18), SAA = Senior Associate Auditor (Set. Department Head - Grade 17), AA = Associate Auditor (Set. Manager - Grade 16), SA = Senior auditor (Set. Manager G.15), A = Auditor (Set. Assistant Manager G.14 or Assistant Manager G.13)

## INTERNAL AUDIT COMPETENCE DEVELOPMENT FOR 2018

Every IAD personnel is both facilitated and encouraged to further develop their competence in supporting the implementation of the Internal Audit Function. Competency development is performed including by way of knowledge sharing between the Head of the IAD, the Board of Directors and the Auditors of Internal Policies and Procedures, Certification Programs, Education and Training, Workshops and Seminars. Throughout 2018, competency development training, which was held both internally and externally includes the following:

**Table Internal Audit Division Personnel Competence Development**

No	Training	Institution	Number of Participants
<b>Domestic Program</b>			
<b>Certification</b>			
1	Basic Qualified Internal Audit Education (I & II)	YPIA	21
2	Education of Advanced Level Qualified Internal Auditors (QIA) II	YPIA	4
3	Education & Certification Training Qualified Internal Auditor Level Pre-Managerial I	YPIA	1
4	Debriefing and Certification of Banking Risk Management (UKMR) Level 1	LSPP	9
5	Debriefing of Level 2 Risk Management Competency Test (UKMR) Participants	LSPP	5
6	Debriefing of Level 1 Batch 7 Risk Management Competency Test (UKMR) in 2018	LSPP	12
7	Debriefing of Level 1 Batch 8 Risk Management Competency Test (UKMR) in 2018	LSPP	8
8	Debriefing of Level 1 Batch 10 Risk Management Competency Test (UKMR) in 2018	LSPP	10
9	Debriefing of Level 2 Batch 4 Risk Management Competency Test (UKMR) in 2018	LSPP	7
10	Debriefing of Level 2 Batch 4 Risk Management Competency Test (UKMR) in 2018	LSPP	2
11	Level 1 Debriefing Batch 17 Risk Management Competency Test (UKMR)	LSPP	7
12	Forensic Auditor Training and Certified Forensic Auditor (CFrA) Certification	LSPA	10

Table Internal Audit Division Personnel Competence Development

No	Training	Institution	Number of Participants
13	Maintenance Program for Risk Management Certificates (UKMR Refreshment) Batch 4 of 2018	LSPPP	1
<b>Training and Workshop</b>			
1	Business Process Education	LCD	90
2	Senior Manager Development Training (SMDP) Grade 18, Year 2018, Phase I	Michigan Ross	2
3	Executive Development Program (EDP) at the Strategic Leadership Experience Activities	PT. Daya Dimensi Indonesia	1
4	Education and Training related to the Audit Cycle	LCD	24
5	OFI to AFI Mapping Training on KPKU 2017	LCD	1
7	Managerial Development Program (MDP) Batch 2 of 2018	Prasetya Mulya	2
8	Cobit 5 Training	PT Proxis Global Solusi	1
9	Workshop regarding Analytic & Continuous Audit Workshop	IAIB	2
10	Workshop regarding Corporate Governance Policy Guidelines (PKTKP)	LCD	1
11	IBES / HCIS Training for Trainers in 2018	LCD	2
12	ASEAN CG Scorecard Plus Company and Explain Principle Workshop	LCD	1
13	ISO 37001 Anti Bribery Management System	CRMS Indonesia	1
14	Information Technology Procurement Training Trend 2018: Application - Big Data - Cloud	PT Sharing Vision Bandung	2
15	Management of Dynamic Records, 2018	Arsip Nasional Republik Indonesia	2
16	ISO 9001: 2015 Auditor/Lead Auditor Course	PT SGS Indonesia	1
17	Certified Information Security Manager (CISM)	Pusilkom UI	3
18	Certified Information System Auditor (CISA)	Pusilkom UI	3
19	Managerial Development Program (MDP)	Prasetya Mulia	2
20	Participants in Workshop Review of Property Valuation Basics	Masyarakat Profesi Penilai Indonesia	2
21	KPKU Training for Regional Office Assessor, 2018	LCD	1
22	Maintenance of Risk Management Certificates (UKMR Refreshment) Level 1 and 2 Batch 2, Year 2018	LSPPP	1
23	Batch 3 Refreshment Secretary Training, 2018	PT Sarel Sentra Inspira	1
24	Maintenance Program for Risk Management Certificate (Refreshment UKMR) Level 3 Batch 3, Year 2018	LSPPP	1
25	ISO 9001: 2015 Auditor/Lead Auditor Course Training	PT SGS	1
26	Batch 2 APU & PPT Training, 2018	LCD	2
27	BTN-RCSA Application Workshop for Division & Desk	LCD	2
28	In House Training for HPS Compilation of Procurement of Goods and/or Services	PT Caraka Global Informasi	1
29	Workshop regarding the Implementation of Collateral Valuation and Loan Quality Assurance Functions	PT Mahesa Prima Solusindo	1
30	TOT Training for DMS (Document Management System) Implementation	LCD	1
31	Advance Series Leadership Training	LCD	1
<b>Seminar and Conference</b>			
1	2018 National Internal Audit (SNIA) Seminar	YPIA	5
2	National Anti-Fraud Conference (NAFC) 2018	ACFE	4
3	National Conference III, 2018	FKSPI	3
4	National Conference IIA Indonesia 2018	IIA Indonesia	3
5	National Conference X Bank Internal Auditor Association (IAIB), 2018	IAIB	2



**Table Internal Audit Division Personnel Competence Development**

No	Training	Institution	Number of Participants
<b>Overseas Program</b>			
<b>Training and Workshop</b>			
1	Senior Manager Development Training (SMDP) Grade 18, Year 2018 Phase II	Michigan Ross	2
<b>Seminar and Conference</b>			
1	International Conference 2018 and Financial Institutions Benchmarking Program	IIA International	1
2	SOPAC Conference 2018 and Financial Institutions Benchmarking Program	IIA International	2

## **PARTICIPATION IN THE ASSOCIATION OF PROFESSIONAL INTERNAL AUDITORS**

In expanding the insight and professional competence of the Internal Auditors, IAD employees have included their Auditors in events organized by the Association of Professional Internal Auditors, including the Bank's Internal Auditor Association (IAIB), the Internal Audit Unit Communication Forum (FKSPI) and the Institute of Internal Audit (IIA), both the Indonesian and International chapters.

## **INTERNAL AUDIT GUIDELINES (AUDIT CHARTER)**

The Internal Audit Division is equipped with the Work Guidelines, known as the Internal Audit Charter, which was compiled in 2002 and then updated and finally determined based on the Joint Decree of the Board of Commissioners and the Board of Directors Number: SKB-03/DECOMDIR/BTN/IAD/VI/2011 dated June 30, 2011. The Internal Audit Charter is also the basis for the presence, implementation of duties and responsibilities of supervision for the IAD. Thus, the Internal Audit Charter is disseminated to all employees and other related parties to encourage the effectiveness of the Internal Audit Function. The contents of the Internal Audit Charter are as follows:

1. Vision and Mission
2. Structure and Position
3. Scope
4. Authority, Functions, Duties and Responsibilities
5. Statement of Independence
6. Audit Responsibilities
7. Code of Ethics and Requirements for Internal Auditors
8. Accountability and Reporting
9. Follow-up
10. Others

## **The Internal Auditor's Duties and Responsibilities**

The Internal Audit Division assists the President Director and the Board of Commissioners and all levels of management in ensuring the adequacy of the Company's Internal Control System and also by providing strategic and constructive suggestions regarding the management of the Company within the framework of implementing Good and Sound Corporate Governance with the following tasks:

1. To formulate a plan and describe operationally the implementation of the Audit, as well as monitoring the follow-up of the Audit results
2. To analyze and evaluate concerning the fields of Finance, Accounting, Operations and other activities through On-Site Audits and Off-Site Monitoring, including conducting management Audits of all Work Units of the Company.
3. To provide suggestions for improving and share objective information regarding the Audited activities across all levels of management.
4. To inspect, assess and identify all potential likelihoods in order to improve the efficiency and effectiveness in the fields of Finance, Accounting, Operations, Resource Use, Marketing, Information Technology and other undertakings related to the Bank's operations and business based on all applicable provisions.
5. To conduct testing and evaluation in order to improve/enhance the effectiveness of Risk Management, Internal Control and Governance Processes.

### Scope of Internal Audit

The Company's Internal Audit Charter is determined through a Joint Decree of the Board of Commissioners and Board of Directors No. SKB-03/DECOM-DIR/BTN/IAD/VI/2011 dated June 30, 2011 concerning PT Bank Tabungan Negara (Persero) regarding the Internal Audit Charter in Chapter III, which is related to the Scope of Audit Work, including the following:

- Article 4 paragraph (2): "The Scope of Audit Work by IAD covers all aspects and elements of the Bank's organizational operations. The Audit Work is performed through a Risk-Based Audit approach by looking at a minimum of 8 risks referring to the Bank Indonesia Regulation, i.e.: Credit Risk, Market Risk, Liquidity Risk, Operational Risk, Legal Risk, Reputation Risk, Strategic Risk, Compliance Risk "
- Article 4 paragraph (3): "Based on the direction of the President Director and/or the Board of Commissioners, the Scope of Audit Work by DAI/IAD also covers the activities of affiliated business entities and subsidiaries that may directly or indirectly affect the interests of the Bank"
- Article 4 paragraph (4): "The Scope of Work of the IAD includes Audits and Assessments concerning the effectiveness of Risk Management, the Adequacy & Effectiveness of Internal Control Systems, quality of performance in implementing the outlined responsibilities, and the effectiveness of the Governance processes: The Compliance Audit, Financial Audit, Operational Audit (Operational/Management Audit), Audit Rating, ITS Audit (Information Technology System Audit), Special and Investigative Audit, Off-Site

Monitoring (Desk Audit), an Assessment of the Security System of the Company's Assets including Resources and Funds, ensuring the Security of the Company's Assets.

### BRIEF REPORT REGARDING INTERNAL AUDIT ACTIVITIES 2018

In 2018, the Internal Audit Division (IAD) prepared an Audit Plan or Work Program and Audit activities, which are in accordance with the plans that were prepared. The Work Plan includes the nature and scope of the Audit, Business Process Risk Assessment, Composition and Number of Audit Team Personnel, Standard Effective Audit Work Day, Length of Audit Day Standard Time, Number of Personnel Requirements and IAD Personnel Qualifications, Personnel Qualification Conditions IAD, Risk Assessment and Development of IAD Personnel.

#### Internal Audit Work Plan

The Internal Audit Division Work Plan is described in the Annual Audit Plan with a work period of 1 year. The Annual Audit Work Plan for the Internal Audit Division (IAD) in 2018 was submitted to the President Director based on the IAD memo No. 30/M/IAD/ASD/I/2018 dated January 31, 2018 concerning the Submission of the Annual Audit Plan in 2018 and approved and signed by the President Director in February 2018. Regarding the 2018 General Audit Planning (Conventional and Sharia), ICT Audits, Special Audits & Investigations as well as scheduled Audits of ISO 9001: 2015 are as follows:

Table Internal Audit Work Program

Object of Audit	Total		Changes		Description
	2017	2018	+/-	%	
A. General Audit (AU)	121	135	14	11,57%	
1. AU Conventional	96	111	15	15,63%	
2. AU Sharia	25	24	(1)	(4,00)%	
B. Audit ICT	24	17	(7)	(29,17)%	The 2018 ICT Audit objects were focused on: 1. LHPK SKNBI, BI-RTGS, BI-ETP, BI-SSSS, KPDHN in Conventional and Sharia. 2. Business Continuity Management 3. Data Integrity (Funding & Lending) 4. Electronic Banking 5. Third-Party Management 6. Core Sharia Banking & Project Management 7. ITOD 8. ITPD
<b>Total Objects of General Audit &amp; ICT</b>	<b>145</b>	<b>156</b>	<b>11</b>	<b>7,59%</b>	





**Table Internal Audit Work Program**

Object of Audit	Total		Changes		Description
	2017	2018	+/-	%	
C. Special Audit & Investigation					
1. Thematic Audit	0	0	0	0%	-
2. Special Audit/Investigation (incidental) assignments	0	0	0	0%	There were no scheduled plans for Special Audits/Investigations for 2018, these will follow assignments from the stakeholders and the Whistle-Blowing Systems.
D. Internal Quality Audit (AMI) ISO 9001: 2015 Certification	19	20	1	5.26%	
E. Regional Office Auditor Audits	88	413	325	369.32%	
Total Objects Audited	252	585	333	132.14%	Obyek Audit

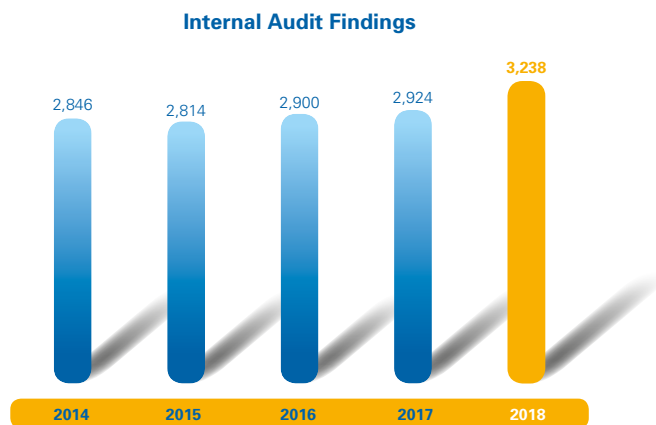
### Internal Audit Work Program Implementation

The Internal Audit Division has performed Audits with Audit Objects including the General Audit (Conventional and Sharia), ICT Audit, Thematic Audit, ISO Audit and Special Audits throughout 2018 with the details of Audit Objects as follows:

**Table Internal Audit Work Program Accomplishment**

No	Keterangan	Target	Realisasi	% Realisasi
A	General Audit (General Audit)	135	143	105.93%
	1. Conventional	111	115	103.6%
	2. Sharia	24	28	116.7%
B	ICT Audit (Information & Communication Technology Audit)	17	18	105.9%
C	Internal Quality Audit (AMI) ISO 9001: 2008 Certification	20	23	115.0%
D	Auditor Regional Office Audit	413	467	113.1%
E	Special Audit	0	19	-
F	Review Audit	0	85	-
Total		585	755	129.06%

The Audits performed in 2018 resulted in 3,238 Audit Findings. The number of findings are showing an increasing trend over the past two years as presented in the graph of Audit Findings over the past 5 (five) years:



## INTERNAL AUDIT FUNCTION

### Follow-Up on Audit Results

Follow-up regarding Audit Findings performed by Auditees. The results of the follow-up are reported to the Head of the IAD and then evaluated to determine whether the follow-up is in accordance with the planned. For completed follow-up, it will be declared "completed followed up" and informed to the Auditee and the Board of Directors. The follow-up Audits that have not been completed and remain under "pending item" status are requested to be finalized by the Auditee with the accounts required and to be reported by the IAD Head to the Board of Directors. Throughout 2018, follow-up of Audit Findings from both the 2017 and 2018 Audit results with the Audit follow-up resumes are presented in the following table:

**Table Follow-Up of Audit Results in Accordance with the Settlement Due Date**

NO	Type of Audit	Total Findings	2017					
			Due Date Status				Findings Completion Status	
			Not Due		Past Due			
			Total	%	Total	%	Total	%
1	General Audit - Head Office	259	-	-	259	100%	259	100%
2	General Audit - Branch Office	1,884	-	-	1,884	100%	1,884	100%
3	General Audit - Sharia Branch Office	580	-	-	580	100%	580	100%
4	ICT Audit (Information & Communication Technology Audit)	201	-	-	201	100%	201	100%
5	Internal Quality Audit (AMI)	-	-	-	-	-	-	-
6	Special Audit	-	-	-	-	-	-	-

NO	Type of Audit	Total Findings	2018					
			Due Date Status				Findings Completion Status	
			Not Due		Past Due			
			Total	%	Total	%	Total	%
1	General Audit - Head Office	314	66	21%	248	79%	248	100%
2	General Audit - Branch Office	1,959	110	6%	1,849	94%	1,849	100%
3	General Audit - Sharia Branch Office	570	71	12%	499	88%	499	100%
4	ICT Audit (Information & Communication Technology Audit)	395	15	4%	380	96%	380	100%
5	Internal Quality Audit (AMI)	-	-	-	-	-	-	-
6	Special Audit	-	-	-	-	-	-	-

## INTERNAL FRAUD

Throughout 2018, there were 24 cases of internal irregularities with the following explanation:

**Table: Internal Fraud throughout 2018**

Internal Fraud	Number of cases committed by					
	Management		Permanent employee		Non-permanent employees	
	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year
Number of Cases of Internal Fraud	-	-	16	24	4	-
Completed	-	-	16	13	2	-
In the Internal Settlement Process	-	-	-	11	-	-
Solution has not been sought	-	-	-	-	-	-
It has been followed up through a Legal Process	-	-	4	4	3	-