

# INTERNAL AUDIT

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Internal Audit is a partner of the management in the efforts to continually improve and conduct corporate governance practice in the Company and its Business Units. As such, Internal Audit has unlimited, free and unrestricted access to all records, physical property and the Company's employees that are relevant to the assignment and are responsible for maintaining the confidentiality and existence of such records and information.

Internal Audit carries out its duties and responsibilities independently and objectively led by the Head of Internal Audit who directly reports to the President Director and Board of Commissioners through the Audit Committee. Head of Internal Audit is appointed and terminated

by the President Director upon the approval of the Board of Commissioners and reported to the Financial Service Authority (OJK).

Holding a role as the Third line of defense, Bank Mandiri's Internal Audit ensures that Internal control

in each line of defense is getting stronger and more mature. To that end, Internal Audit continues to innovate in the use of audit methodologies and tools hence audits are more effective and efficient.



## INTERNAL AUDIT

### Profile of Head of Internal Audit



#### Education Background

Bachelor of Agriculture from University of Gadjah Mada.

#### Professional Background

- Category B Executive Credit Officer (2017-2018)
- Corporate Risk Group Head (2018-2020)
- Senior Executive Vice President Wholesale Risk (2020-2021)
- Senior Executive Vice President Internal Audit (2021 - present)

#### Basis of Appointment

Serves as Senior Executive Vice President/SEVP Internal Audit since 2021 based on Directors Decree No. KEP.DIR/045/2021 dated 23 August, 2021.

#### **Danis Subiyantoro**

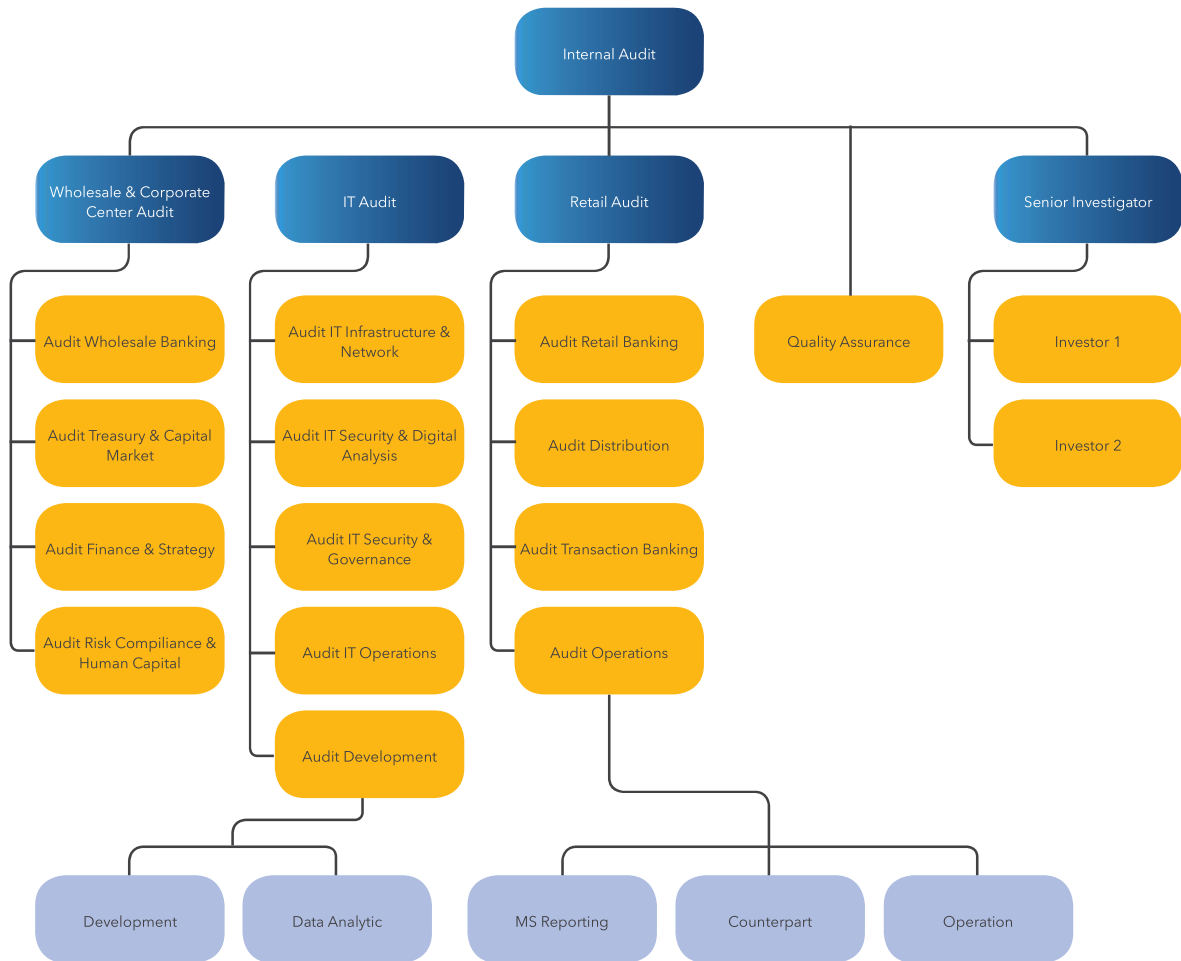
Senior Executive Vice President/SEVP  
Internal Audit

Age: 54 Years old

Citizenship: Indonesian

## INTERNAL AUDIT

## Organizational Structure of Internal Audit



## Position of the Internal Audit in the Organizational Structure

At Bank Mandiri, Internal Audit is directly responsible to the President Director and can communicate with the Board of Commissioners through the Audit Committee. Since 1 November 2017, Internal

Audit operates 4 (four) Units which works are adapted to Bank Mandiri's business strategy, namely the Wholesale & Corporate Centre Audit Group, Retail Audit Group, IT Audit Group and Senior Investigator. In addition, Internal Audit also has 1 (one) Department, the Quality Assurance Department, which is directly responsible to the Senior Executive Vice President/ Chief Audit Executive.

## Parties in Charge of the Appointment and Dismissal of the Head of Internal Audit

The Chief Audit Executive is appointed and dismissed and is directly responsible to the President Director with the approval of the Board of Commissioners by considering the Audit



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Committee recommendations and subsequently reported to the OJK. The appointment has been reported to the OJK through a letter dated 2 September 2021.

### Internal Audit Charter

Internal Audit has a Charter ratified by the President Director and President Commissioner, which was last updated on 15 February 2022. The Internal Audit Charter provides guidance regarding the purpose, position, authority, responsibilities and scope of internal Audit works. The position, authority and responsibilities expressed formally in the Internal Audit Charter are in accordance with the POJK No. 1/POJK.03/2019 on Implementation of Internal Audit function in the Commercial Banks.

### Internal Audit Duties and Responsibilities

In carrying out its functions, the duties and responsibilities of Internal Audit are as follows:

1. Act as a System Supervisor for Investigation activities, including for Investigations carried out by work units outside the Internal Audit.
2. Assisting the duties of the President Director and the Board of Commissioners

in conducting oversight by outlining operationally both in the planning, implementation, and monitoring audit results.

3. Communicating directly with the Board of Directors, Board of Commissioners, Audit Committee and Integrated Governance Committee.
4. Preparing analysis and assessment in the field of finance, accounting, operations and other activities through audits.
5. Identifying any possibilities for improving and enhancing the efficiency of the use of resources and funds.
6. Providing suggestions for improvement and objective information about the activities examined at all levels of management.
3. Communicating and coordinating with external parties including regulators and external auditors.
4. Organising the meetings periodically and incidental with the President Director, Board of Commissioners, and Audit committee.
5. Access all information, records, employees, and including but not limited to accounts and resources and other matters deemed necessary in connection with their tasks and functions.
6. Conducting investigative activity on the cases/issues in every aspect and element of activities that are indicative of fraud and violation of the code of Conduct in the Bank's organization, subsidiaries and affiliates in accordance with the prevailing governance.
7. Participating in the strategic meeting without voting rights.

### Internal Audit Authority

The authority of Internal Audit are, among others:

1. Conducting internal audit activities of all working units in the Bank's organization, subsidiaries and affiliates in accordance with the prevailing governance.
2. Communicating directly with the Board of Directors, Board of Commissioners, and the Audit Committee, as well as Integrated Governance Committee.

### Internal Audit Personnel Composition

In carrying out its duties, the Bank's Internal Audit is supported by competent and qualified resources. The following is Internal Audit personnel composition.

Position	Total Personnel
SEVP/ Chief Audit Executive	1
Chief Auditor	3
Senior Investigator Head	1
Audit Manager	11
Investigator Head	2
Department Head	3

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Position	Total Personnel
Specialist Investigator	2
Specialist	1
Lead Auditor	24

Position	Total Personnel
Team Leader	3
Section Head	1
Investigator	4
Senior Auditor	20
Auditor	27
Junior Investigator	2
Officer	5
Supporting	13

## Internal Audit Professional Certification

Internal Audit strives to provide an ongoing education for all personnel to meet adequate qualifications and competencies. Education provided in the form of professional education that is certified both national and international, the attachment and training programs in the country and overseas. The following were professional certifications attained by the Internal Audit personnel in 2022.

## National Profession Certification in 2022

Certifications	Total Personnel
Qualified Internal Auditor – Basics	16
Qualified Internal Auditor - Advance	11
Qualified Internal Auditor - Managerial	11
Bank Internal Audit - Auditor	58
Bank Internal Audit - Supervisor	42
Bank Internal Audit - Manager	6
General Banking	9

## National Profession Certification in 2022

Certifications	Total Personnel
Chartered Accountant	7
Certified Legal Auditor	1
Certification In Audit Committee Practices	1
Certified Internal Audit Executive	4
Risk Management Level I Certification	113
Risk Management Level II Certification	57
Risk Management Level III Certification	21



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### National Profession Certification in 2022

Certifications	Total Personnel
Certified Internal Auditor	2
Certified Fraud Examiner	8
Certified Bank Auditor	1
Certified Information System Auditor	13
Certified Financial Services Auditor	1
Certified in Risk Management Assurance	1
Certified Information Security Manager	1
Certified in the Governance of Enterprise IT	1
Control Objectives for Information and Related Technology	2
Information Technology Infrastructure Library	3
Certified Information Systems Security Professional	2

### National Profession Certification in 2022

Certifications	Total Personnel
EnCase Certified Examiner	2
Cisco Certified Network Associate	1
Certified Master of Handwriting Analyst	1
Certified Anti-Fraud Manager	3
Certified Handwriting Analyst	2
Certified Risk Governance Professional	1
Certified Forensic Auditor	8
Computer Hacking Forensic Investigator	4
Certification in Audit Committee Practices	1

## Participation in the Internal Audit Profession Association

To broaden the professional insight and competence of internal auditors, Internal Audit has participated in the profession Association of Internal Audit, among others:

Activity/Organization	Position	Period
Banking Internal Auditor Association (IAIB)	One Audit Manager (AM) of Internal Audit as Deputy Secretary General.	2020-2023

In 2022, several institutions conducted benchmarking with Bank Mandiri's Internal Audit. Those institutions were:

No.	Benchmarking Date	Institutions	Focus Discussions
1	18 May 2022	BPJS TK	IT Audit Activities
2	25 May 2022	Bank Syariah Indonesia	1. Methodology & Audit Tools 2. Functions and roles of Quality Assurance, counterparts and investigations
3	19 September 2022	Telkom	1. Integrated Internal Audit Unit 2. Internal Audit Activities 3. Mechanism for Conducting Investigations 4. Implementation of Continuous Auditing & Continuous Monitoring 5. Audit Tools
4	9 November 2022	PLN	Integrated Internal Audit Unit

## INTERNAL AUDIT

## Auditor Code of Ethics

The Internal Auditors of Bank Mandiri are required to be professional and obey the established code of ethics. The Bank Mandiri Internal Auditor's code of ethics are as follows:

### 1. Integrity

Internal Auditors has the integrity by building trust which is the basis for making reliable judgments.

### 2. Objectivity

The Internal Auditor shows high objectivity in accordance with professional standards in collecting, evaluating and communicating information about the activities or processes being audited. In addition, the Internal Auditor conducts balanced judgments by paying attention to all relevant conditions and not influenced by personal or other people's interests.

### 3. Confidentiality

The Internal Auditor respects the value and ownership of the obtained information and does not disclose the information without authorization unless there is a legal or professional obligation to disclose the information.

### 4. Competency

The Internal Auditor uses knowledge, skills and experience required to carry out the audit duties. Internal audit activities must be carried out with professional skills and expertise that is having the knowledge, skills and other competencies needed to perform their responsibilities.

## Internal Audit Capacity Building

The Internal Audit competency development is presented in the Profile Chapter of this Annual Report.

## Information System of Internal Audit

To improve the effectiveness of audit implementation and provide a full picture to the Management regarding the audits, the audit activities consisting of planning, implementation, reporting and monitoring stages are carried out using an application called the Audit Management Information System (SIMANIS) which is carried out internally as a system of recording and monitoring the results of audits and investigations.

The SIMANIS application had been applied since 21 February 2020 and, is constantly developed to improve from previous versions.

## Audit Methods

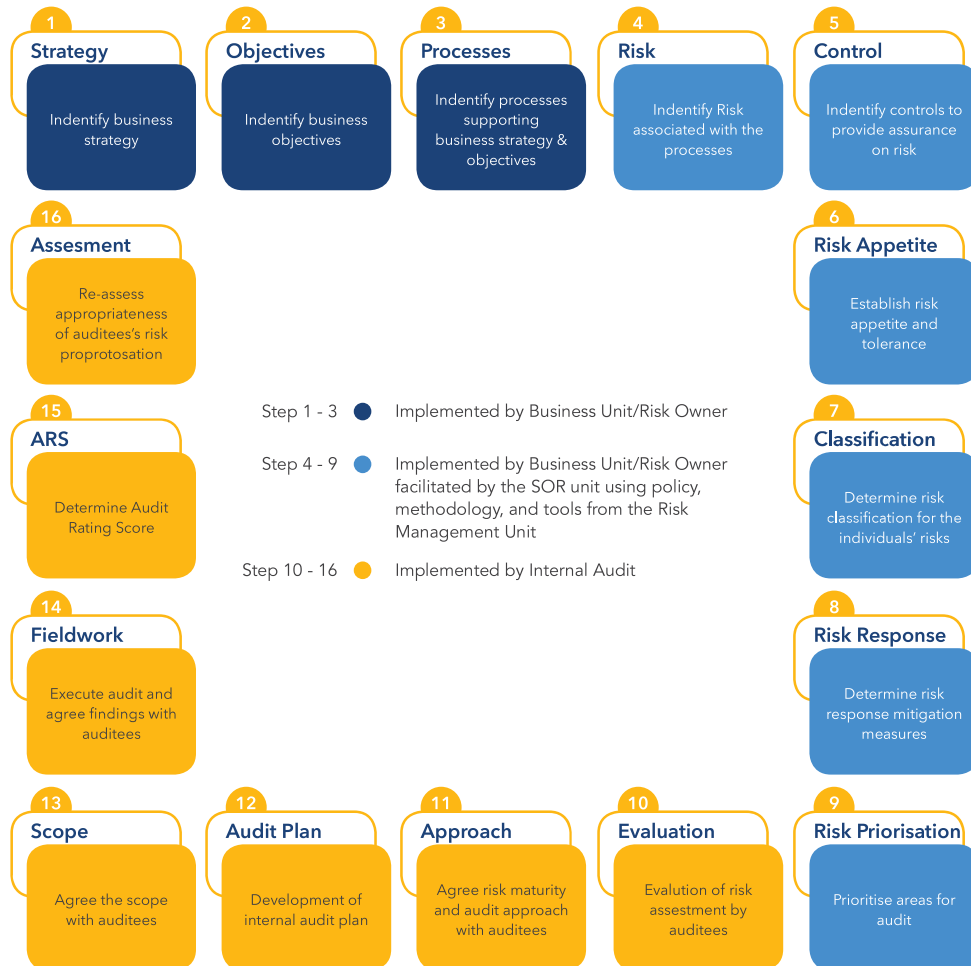
Internal Audit applies a risk-based audit (RBA) methodology for internal audit activities by focusing on high-risk areas. The application of this methodology is in accordance with the needs of the Company, regulatory and best practices.

The application of a risk-based audit (RBA) methodology requires good cooperation between Internal Audit and the Risk Management Unit and the Client.

The following is the grand design of risk-based audit application at Bank Mandiri:



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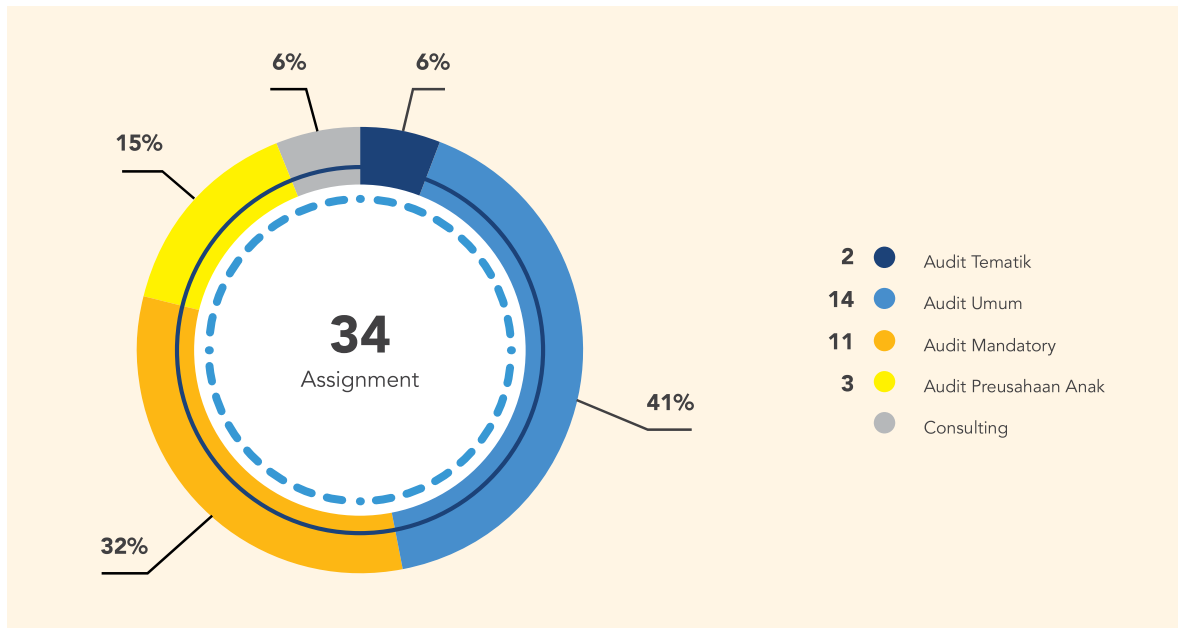


## Internal Audit Work Programs

In 2022 the Internal Audit has prepared audit plans with 34 (thirty-four) subjects of assignments consisting of Thematic Audits, General Audits, Audit Mandatory, Audit of Subsidiaries and Consulting. These assignments are carried out by three work units in Internal Audit, namely the Wholesale & Corporate Center Audit Group Unit, Retail Audit Group, and Information & Technology Audit Group. The details of the assignment subjects are presented in the following chart.



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## Audit Activities in 2022

The dynamic development of the internal audit methodology encouraged the Company's Internal Audit unit to be more responsive and proactive. With this change, the audit plan which was originally static had become more dynamics, adapting to the conditions and needs of the Company. In 2022, audit activities were carried out based on the previously prepared audit plan hence the audit results will be followed up and used as material to make continuous improvements in the Company.

## Findings and Follow Up on Internal Audit Results

Year	Outstanding	Closed	Total
2016	0	628	628
2017	0	627	627
2018	0	547	547
2019	0	470	470
2020	0	357	357
2021	0	660	660
2022	239*)	437	437

Note:

\*) 239 DMTL in the "Settlement Process", with completion commitment starting 31 January 2023



## INTERNAL AUDIT

### Standard Implementation of Bank Internal Audit Function

In 2019 the Financial Services Authority (OJK) published POJK No. 1/POJK.03/2019 on the implementation of Internal Audit function of Commercial Banks, effective as of 29 January 2019 in lieu of the standard implementation of the internal Bank Audit function (SPFAIB) that has been used. Following up on the issuance of the POJK, Internal Audit has adopted the regulation on the internal rules, namely the Internal Audit Charter, Bank Mandiri Internal Control Policy (KICN), Internal Audit Guidelines Standards (SPIA) and Internal Audit Technical Guidelines (PTIA). The changes to the Internal Control

Policy were approved by the President Director and the Board of Commissioners in April 2022. Meanwhile, the latest changes to other internal regulations were approved by Bank Mandiri Management (in this case Directors and Group Heads) in 2022.

### OJK Regulation No. 38/POJK.03/2016 and OJK Circular No. 21/SEOJK. 03/2017

In conducting Audit, in particular IT Audit, the Bank is also subject to the provisions set out in the POJK No. 11/POJK.03/2022 on the Implementation of Information Technology by Commercial Banks, and SEOJK No. 21/SEOJK.03/2017 on Risk Management Application in

the use of Information Technology by Commercial Banks, which aims at improving IT Audit work process in Bank Mandiri.

### The International Standards for the Professional Practice of Internal Auditing

In addition to regulatory, the implementation of Internal Audit of Bank Mandiri adjusts to the International Standards for the Professional Practice of Internal Auditing (ISPPA) stipulated by the Institute of Internal Auditors (IIA).