

Internal Audit

Three lines of defense are a layered mechanism of defense to manage risks. As the name implies, *Three lines of defense* consist of 3 layers, the first layer is located on the work unit (business and supporting unit in the branch office), the second layer is located on the risk management unit (compliance unit and risk management unit) and the third layer is located on the internal audit unit. Internal Audit acts as a *Third line of defense*, ensuring that internal controls in each line of defense are getting stronger and matured. Internal Audit Function is an important component in the company's internal control system, plays a role in providing independent and objective assurance as well as input to the board of commissioners and directors. In addition, the Internal Audit function is a management partner in realizing the implementation of GCG in the company's environment in order to be able to provide added value to the company.

Position of Internal Audit within Organizational Structure

Internal Audit is an Internal Audit Unit (SKAI) within the Bank organization, whose position is directly under the President Director, and can communicate with the Board of Commissioners through the Audit Committee. Internal Audit is chaired by a Division Head who is appointed and dismissed by the President Director with the approval of the Board of Commissioners and reported to Bank Indonesia as well as the Capital Market and Financial Institution Supervisory Agency. Internal Audit has 5 (five) Departments that are directly responsible to the Head of Division, namely: *Audit Coordination Head Department, Quality Assurance Department, Audit System Development Department, Reporting Counterpart & Documentation Audit Department and Anti Fraud & Whistle Blowing System Department*. In addition, the Internal Audit has an audit group that is responsible to the Audit Coordination Head Department, namely: *Conventional General Auditor Group, Sharia General Auditor Group, ICT Auditor Group, Special Audit & Investigation Auditor Group and Regional Office Auditor*.

Internal Audit Charter

Internal Audit of Bank BTN has an Internal Audit Charter approved by the President Director and Board of Commissioners, which was established on 30 June 2011. The Internal Audit

Charter is structured to provide guidance on the objectives, authorities, responsibilities, scope of the internal audit work in the organization and in order to place its functions above various interests. The vision and mission of the Internal Audit should be able to ensure the realization of a healthy Bank and developing naturally.

The position, authority and responsibilities of Internal Audit (IA) formally stated in the *Internal Audit Charter*, consistent with the provisions of the Standard of Implementation of Bank Internal Audit Function (SPFAIB), the Financial Services Authority (OJK) on the Establishment and Guidelines for the Preparation of the Charter of the Internal Audit Unit and in accordance with best practice on IPPF standard (*International Professional Practice Framework*) by IIA (*the Institute of Internal Auditor*)