REQUIREMENT FOR COMMERCIAL BANKS TO APPLY THE STANDARDS FOR THE PRACTICE OF THE BANK INTERNAL AUDIT FUNCTION

BANK INDONESIA
1999

In case of any ambiguity or lack of clarity, reference should be made to the original provisions in Bahasa Indonesia.
TABLE OF CONTENTS

CHAPTER I
GENERAL POLICY

1. GENERAL POLICY .............................................................................................. 1

2. MISSION ............................................................................................................ 1
   2.1. General Control Mechanism ................................................................. 2
   2.2. Function of the Internal Audit Unit ..................................................... 4
   2.3. Role of the Board of Commissioners in relation to the Internal Audit Unit ......................................................... 4

3. INDEPENDENCE ............................................................................................. 4
   3.1. Support .................................................................................................. 5
   3.2. Discretion in Determining Methods ..................................................... 5
   3.3. Objectivity ............................................................................................ 5
   3.4. No Conflict of Interest ........................................................................... 5

4. AUTHORITY, POSITION, AND RESPONSIBILITY OF THE INTERNAL AUDIT UNIT ........................................................................ 5

5. SCOPE OF WORK ............................................................................................ 6

6. STANDARDS FOR THE PRACTICE OF THE BANK INTERNAL AUDIT FUNCTION .................................................................................... 6
   6.1. Linkage of the Standards for the Practice of the Bank Internal Audit Function with Other Standards .............................................. 6
   6.2. Continuity of the Standards for the Practice of the Bank Internal Audit Function ................................................................. 7
   6.3. Linkage of the Standards for the Practice of the Bank Internal Audit Function to Bank Indonesia Supervision ........................................ 7

CHAPTER II
PROFESSIONALISM

1. PROFESSIONALISM ....................................................................................... 8

2. PROFESSIONAL SKILLS ............................................................................... 8
   2.1. Educational Background ..................................................................... 8
Standards for the Practice of the Bank Internal Audit Function

2.2. Working Experience ................................................................. 9

3. ATTITUDE AND ETHICS ........................................................... 9
3.1. Attitude ...................................................................................... 9
3.2. Ethics ......................................................................................... 10
3.3. Professional Responsibility....................................................... 10

4. PROFICIENCY IN COMMUNICATION ...................................... 11
4.1. Communications with the Auditee .......................................... 12
4.2. Communications with the External Auditor .......................... 12

CHAPTER III
ORGANIZATION AND MANAGEMENT

1. ORGANIZATION AND MANAGEMENT .................................... 13

2. PROFESSIONAL AUDITORS ..................................................... 13

3. POSITION OF THE INTERNAL AUDIT UNIT AND RELATIONSHIP WITH THE BOARD OF COMMISSIONERS AND MANAGEMENT ........................................................................ 14
3.1. Position of the Internal Audit Unit within the Organization ..... 14
3.2. Obligation of Management to Respond to Findings Reported by the Internal Audit Unit ......................................................... 15
3.3. Position, Communication, Membership, and Responsibilities of the Board of Commissioners ........................................... 15

4. ORGANIZATIONAL STRUCTURE .............................................. 16

5. AUTHORITY AND RESPONSIBILITIES .................................... 16
5.1. Internal Audit Charter ................................................................. 16
5.2. Authority and Responsibilities of the Head of the Internal Audit Unit ................................................................. 17
5.3. Role of the Internal Audit Unit as Consultant .......................... 17

6. PLANNING .................................................................................. 18

7. POLICY AND PROCEDURES ................................................... 19

8. CAREER DEVELOPMENT AND PROFESSIONAL TRAINING OF INTERNAL AUDITORS ................................................................. 19
Standards for the Practice of the Bank Internal Audit Function

9. AUDIT QUALITY CONTROL ................................................................. 19

10. COORDINATION BETWEEN THE INTERNAL AUDIT UNIT AND THE EXTERNAL AUDITOR .......................................................... 20

CHAPTER IV
SCOPE OF INTERNAL AUDIT

1. SCOPE OF WORK.................................................................................. 21

2. RELATIONSHIP OF INTERNAL AUDIT TO THE INTERNAL CONTROL STRUCTURE ........................................................................... 22

CHAPTER V
AUDIT IMPLEMENTATION

1. AUDIT IMPLEMENTATION ..................................................................... 24

2. AUDIT PREPARATION ............................................................................. 24
  2.1. Methods of Approach ............................................................... 24
  2.2. Audit Assignment ......................................................................... 24
  2.3. Notice of Audit ........................................................................... 25
  2.4. Preliminary Research .................................................................... 25

3. FORMULATION OF INTERNAL AUDIT PROGRAM............................... 26

4. AUDIT ASSIGNMENT ........................................................................... 26
  4.1. Process ...................................................................................... 26
  4.2. Evidence ..................................................................................... 27
  4.3. Evaluation of Findings................................................................. 27
  4.4. Supervision .................................................................................. 28

5. REPORTING ........................................................................................... 29
  5.1. Reporting Standards .................................................................... 29
  5.2. Contents....................................................................................... 30
  5.3. Special Information Not Disclosed in the Audit Report ......... 31
  5.4. Process for Formulating Reports ................................................. 32
  5.5. Submission of Reports................................................................. 32

6. FOLLOW UP ON AUDIT FINDINGS .................................................. 33
CHAPTER VI
DOCUMENTATION AND ADMINISTRATION

1. DOCUMENTATION AND ADMINISTRATION ............................................. 34

2. DOCUMENTATION OF AUDIT WORKING PAPERS
   2.1. Function ......................................................................................... 34
   2.2. Compilation ................................................................................... 34
   2.3. Filing ............................................................................................. 35

3. ADMINISTRATION OF AUDIT FINDINGS ........................................... 36
   3.1. Administration of Audit Communications ...................................... 36
   3.2. Administration of Completeness of Audit Implementation .......... 36

GLOSSARY ................................................................................................................. 37
CHAPTER I

GENERAL POLICY

1. GENERAL POLICY

The Internal Audit Function is an extremely vital component of bank management as its purpose is to assist management at all levels in ensuring the safety of bank operations involving funds from the public. Additionally, because the banking system plays a strategic role in the economy, one of the tasks of Internal Audit is to keep banking operations on a course that supports the Government development program. It is therefore essential to create a common understanding of the mission, authority, independence, and scope of bank Internal Audit to ensure that banks are able to fulfil this role. Furthermore, it is essential to institute the Standards for the Practice of the Bank Internal Audit Function (abbreviated as SPFAIB) to ensure that the mission, authority, independence and scope of bank Internal Audit are properly carried out in the details of operations. These standards constitute the minimum requirements for compliance by all commercial banks in Indonesia. In implementing the Standards for the Practice of the Bank Internal Audit Function, state banks should also take into account the provisions of Government Regulation No. 3 of 1983 dated January 25, 1983 concerning Procedures for Supervision of State Enterprises (Perusahaan Jawatan (Perjan), Perusahaan Umum (Perum), and Perusahaan Perseroan (Persero).

2. MISSION

The mission of bank Internal Audit includes due protection for the interests of the bank and depositors. It is important to state this point, because banks are business entities, and at any bank the different parties involved in the bank, such as the owners, management, employees, and customers, also have different interests. Although these interests vary, in essence they all share a common goal: that of creating a sound bank
Standards for the Practice of the Bank Internal Audit Function

capable of healthy growth. Therefore, bank Internal Audit must be able to transcend these different interests to ensure that the bank is sound, achieving healthy growth, and supporting the national economy. For this mission to be carried out properly, it is essential that each bank in Indonesia employ a general control mechanism. Furthermore, there needs to be a structured, defined relationship between the Board of Commissioners and the Internal Audit Function of the Bank.

2.1. General Control Mechanism

The general control mechanism comprises all policies and activities stipulated by bank supervisory management to obtain adequate assurance that the interests of the bank, depositors, users of banking services, and of the national economy are safeguarded within a proper equilibrium, and that the bank operates effectively and efficiently in looking after all these interests. For this mechanism to function, there must be a clear definition and common understanding of such aspects as the supervisory responsibilities and authority of the Board of Commissioners and the Board of Directors, the scope of Internal Control, and the work of Internal Audit within the internal control structure of the bank.

a. Supervisory responsibilities and authority of the Board of Commissioners and Board of Directors

The division of supervisory responsibilities and authority between the Board of Commissioners and the Board of Directors for the purposes of general control must be stipulated clearly in the Articles of Association of the bank. If the Articles of Association of a bank do not specify this division, the matter shall be stipulated in a resolution adopted in an Annual General Meeting of Shareholders. This division shall be as follows:

i. final responsibility for supervision is exercised by the Board of Commissioners, which among others shall review the findings of the Internal Audit Unit. In this regard, the Board of Commissioners is empowered to ask the Board of Directors to follow up on the findings of the Internal Audit Unit.
ii. the responsibilities of the Board of Directors are to establish the internal control structure, ensure that the Internal Audit Function of the bank operates at all management levels, and follow up on the bank Internal Audit findings according to the policies or guidelines issued by the Board of Commissioners. In this regard, the Board of Directors shall also report on these activities to the Annual General Meeting of Shareholders.

b. **Scope of Bank Internal Control**

The internal control structure encompasses the coordination of policies, organization, procedures, methods, and rules that operate within a business entity. The purpose of the internal control structure is to safeguard assets, verify the accuracy and reliability of accounting data, ensure the most economic and efficient use of resources, and encourage compliance with the policies laid down by management. In a business such as banking which relies on funds mobilized from the public, internal control also encompasses aspects related to the security of funds deposited by the public and other third parties.

c. **Internal Audit as Part of the Internal Control Structure**

Internal Audit, as part of the internal control structure, encompasses all activities related to audit and the reporting of audit findings on the coordinated operation of internal control at each level of bank management. Transparency and clarity are vital to bank management, and therefore the Internal Audit policy concerning the authority and independence of Internal Audit shall be expressed in a written document called the Internal Audit Charter and issued by the President Director of the bank and approved by the Board of Commissioners. The President Director and Board of Commissioners shall periodically review the Internal Audit Charter for the adequacy of this document in ensuring the best performance of Internal Audit operations.
2.2. Function of the Internal Audit Unit

The duty of the Internal Audit Unit is to assist the President Director and the Board of Commissioners by elaborating the operational aspects of planning, implementation and monitoring of audit findings. In performing this task, the Internal Auditors shall represent the views and interests of their profession, and shall prepare analyses and reviews of the financial, accounting, operations and other bank activities through both on-site examination and off-site monitoring. In addition, the Internal Auditors shall provide all levels of management with recommendations for improvements and objective information on the reviewed activities. The Internal Audit Unit must also be capable of identifying all possibilities for efficiency improvements in the use of resources and funds.

2.3. Role of the Board of Commissioners in Relation to the Internal Audit Unit

The Board of Commissioners shall guarantee the independence of the Internal Audit Unit in performing its duties. The Board of Commissioners is required to review the planning and implementation of audit and the monitoring of follow up to audit findings with the objective of assessing the adequacy of internal control, including the adequacy of the financial reporting process. These tasks are necessary in view of the role of the Board of Commissioners in representing the interests of the shareholders and the public.

3. INDEPENDENCE

The Internal Audit Unit and each Internal Auditor shall be independent in conducting audit, and shall express their thoughts and views as required by their profession and according to the generally prevailing audit standards. This independence is vital to ensure that the audit findings are of maximum benefit for safeguarding the interests of the bank and the public. Internal Auditors shall therefore be independent of the examined activities. Internal Auditors are perceived to be independent if they are able to work objectively and with freedom from
interference. To ensure this independence, it is important that the position of the Head of the Internal Audit Unit within the organizational structure enables him to express his thoughts and views without any influence or pressure brought to bear by the management or any other party with an interest in the bank.

3.1. Support
Management shall extend full support to the Internal Audit Unit to ensure that it is able to operate without interference from any party whatsoever.

3.2. Discretion in Determining Methods
The Internal Audit Unit shall be independent in determining the methods, procedures, techniques, and approach used in audits.

3.3. Objectivity
Objectivity is the independent state of mind that each Internal Auditor must maintain while conducting audit. This state of mind is manifested in complete, objective reports based on accurate, unprejudiced analyses. To maintain objectiveness, it is necessary to institute the following:
   a. periodical rotation of the tasks assigned to Internal Auditors,
   b. thorough review of the report of audit findings and the audit process.

3.4. No Conflict of Interest
Internal Auditors may not have any interest in the audited work or activity. Work shall be assigned by the Head of the Internal Audit Unit in such a manner as to prevent any conflict of interest.

4. AUTHORITY, POSITION, AND RESPONSIBILITY OF THE INTERNAL AUDIT UNIT
The Internal Audit Unit shall be vested with the authority, position and responsibility within the organization such as are necessary to enable it to perform its tasks according to professional working standards.
5. **SCOPE OF WORK**

The scope of work of an Internal Audit Unit shall cover all aspects and components of bank operations which may directly or indirectly affect the interests of the bank and the public. Besides encompassing the examination and evaluation of the adequacy and effectiveness of the internal control structure and the quality of implementation of internal control, the scope of internal audit shall also include all aspects and components of bank organization necessary to produce analyses of maximum benefit to the management decision making process.

6. **STANDARDS FOR THE PRACTICE OF THE BANK INTERNAL AUDIT FUNCTION**

The Standards for the Practice of the Bank Internal Audit Function are the standards specifying the minimum requirements for the Internal Audit Function that must be applied by commercial banks, as well as aspects related to Internal Audit. These standards are not intended to provide a detailed, technical description of the techniques and procedures of the Internal Audit function. Similarly, these standards are not intended to stipulate the organizational form of the Internal Audit Unit. The Standards for the Practice of the Bank Internal Audit Function are expected to provide a means for building a common understanding among commercial banks in Indonesia concerning the level of protection of the interests of all parties involved with banks. In implementing these standards, banks need to formulate the Internal Audit Charter and Internal Audit Guidelines which specify in greater detail the standards and procedures to be adopted, taking into account the specific circumstances of each bank.

6.1. **Linkage of the Standards for the Practice of the Bank Internal Audit Function with Other Standards**

Banks which for organizational or other reasons are required to comply with the standards of other agencies and/or of their parent organizations, whether domiciled in Indonesia or overseas, such as the Examination Norms of Internal Control Units of State Owned Enterprises/Regional...
Government Enterprises and the Standards for the Professional Practice of Internal Auditing (The Institute of Internal Auditors), shall apply the standards laid down in the Standards for the Practice of the Bank Internal Audit Function as the minimum requirements for the Internal Audit function.

6.2. Continuity of the Standards for the Practice of the Bank Internal Audit Function

The measurements set forth in these Standards for the Practice of the Bank Internal Audit Function shall be continually updated in line with developments in banking practices.

6.3. Linkage of the Standards for the Practice of the Bank Internal Audit Function to Bank Indonesia Supervision.

Bank Indonesia supervision includes the monitoring of bank compliance in conducting the Internal Audit function in compliance with the Standards for the Practice of the Bank Internal Audit Function.
CHAPTER II

PROFESSIONALISM

1. PROFESSIONALISM

The guiding principle of the Internal Audit Unit in performing the Internal Audit function must be professionalism. To ensure professionalism, Internal Auditors shall individually or collectively possess the following attributes:

a. adequate knowledge in their field of work, i.e., concerning auditing techniques and other disciplines relevant to their specialization;

b. behavior marked by independence, integrity, objectiveness, diligence and loyalty;

c. ability to maintain professional quality of work through ongoing professional training;

d. diligence in the proper exercise of professional skills,

e. proficiency in effective oral and written interactions and communications.

2. PROFESSIONAL SKILLS

An Internal Auditor may obtain his professional skills through adequate training and working experience in Internal Audit, banking operations and other disciplines relevant to his specialization.

2.1. Educational Background

The minimum educational qualifications for an Internal Auditor shall be determined by the individual bank according to the size of the organization and the complexity of its banking activities. Nevertheless, to ensure the proper performance of auditing duties, the educational background of an Internal Auditor should be sufficient to provide adequate knowledge and understanding of the following:
Standards for the Practice of the Bank Internal Audit Function

a. application of the Standards for the Practice of the Bank Internal Audit Function;

b. standards of financial accounting;

c. banking laws and regulations;

d. management principles, especially as applied to banking;

e. bank-related disciplines such as economics, law, taxation and financial matters, quantitative and statistical methods, and principles of electronic data processing.

In practice, it is not necessary for every Internal Auditor to master all of these fields. However, the composition of personnel in the Internal Audit Unit should adequately reflect all these disciplines.

2.2. Working Experience

Adequate working experience in banking operations will strengthen or contribute to the professional skills of Internal Auditors.

3. ATTITUDE AND ETHICS

Internal Auditors must possess a strong sense of professional ethics and responsibility to ensure the credibility of their work and its usefulness for ensuring the proper, sound bank growth.

3.1. Attitude

Internal Auditors must have a proper attitude, reflected in integrity, objectivity, diligence, and loyalty to the profession.

a. Integrity

Internal Auditors must be able to present honest and prudent opinions in line with their findings.

b. Objectivity

Internal Auditors must always uphold objectivity to ensure that they are able to present findings based on evidence and facts that they are
able to substantiate. Therefore, reports of findings must be complete and based on objective analysis.

c. Diligence

Internal Auditors shall work diligently and thoroughly in investigating problems/indications that may be discovered in order to gather evidence to support their findings.

d. Loyalty

Internal Auditors must demonstrate loyalty to their professional responsibilities.

3.2. Ethics

Internal Auditors shall comply with a Code of Professional Ethics based on, among others, the Code of Ethics of the Institute of Internal Auditors. This code of ethics shall cover at least the following obligations to:

a. act with integrity, courteousness, objectivity, and responsibility while refraining from any disreputable behavior;

b. possess strong dedication;

c. refrain from accepting anything that may influence professional judgement;

d. uphold confidentiality as required by prevailing laws and regulations;

e. work to improve professional abilities on an ongoing basis.

3.3. Professional Responsibility

Internal Auditors shall demonstrate professional responsibility by consistently upholding the principles of accuracy and diligence while keeping technical capabilities up to date with the objective of achieving optimum quality of work.
a. **Accuracy and diligence in work**

Internal Auditors shall work with accuracy and diligence within reasonable limits, and apply professional skills in an optimum manner. To achieve this, they shall take note of the following:

i. The scope or level of difficulty faced in the performance of duties;

ii. Alertness to possibilities of irregularities, errors, embezzlement, inefficiency, waste, and conflict of interest, and report any such instances to the superior of the officer concerned;

iii. Accurate identification of conditions and activities vulnerable to irregularities and weakness in the internal control structure, and submission of appropriate recommendations aimed at improving compliance with the procedures laid down by the bank;

iv. Sincerity and responsibility in the performance of duties;

v. Possibility of conducting further examination or more in-depth special examination.

b. **Development of knowledge through ongoing professional training**

Internal Auditors shall keep their technical skills up to date by:

i. Keeping abreast with the latest developments in Internal Audit techniques by attending seminars, courses, or other forms of training;

ii. Keeping abreast with the development of new banking products;

iii. Keeping abreast with and understanding the regulations applicable to banking operations;

4. **Proficiency in communication**

Internal Auditors are required to be in constant communication with internal and external parties, and shall therefore be proficient in effective oral and written interactions and communications.
4.1. Communications with the Auditee

a. An Internal Auditor must consistently maintain proper communications with the Auditee to facilitate the efficient performance of his duties.

b. An Internal Auditor must be proficient in both oral and written communication, enabling him to make clear and effective presentations of matters related to the audit, such as audit objectives, findings, conclusions, and recommendations of the audit.

4.2. Communications with the External Auditor

Internal Auditors must be capable of conducting oral and written communications with an external auditor, taking into account the limitations of authority applicable in each case.
CHAPTER III

ORGANIZATION AND MANAGEMENT

1. ORGANIZATION AND MANAGEMENT

The Internal Audit Function of a bank is a means of ensuring that the bank is able to manage funds mobilized from the public and safeguard its banking activities with the objective of supporting the Government development program. Bank management shall therefore bear responsibility for providing direction to enable the effective operation of the Internal Audit function. The Internal Audit Unit shall be organized to ensure the effectiveness of the Internal Audit function and shall therefore have the following:

a. professional auditors;
b. definite position within the organization;
c. reliable organizational structure;
d. definite authority and responsibilities;
e. thorough planning;
f. definite policies and procedures;
g. career development and professional training program;
h. quality control program.

2. PROFESSIONAL AUDITORS

A professional auditor possesses knowledge and professional skills obtained both by education and through experience in banking operations. During the course of his work, a professional auditor shall always uphold a proper attitude and comply with the stipulated code of ethics.
3. **POSITION OF THE INTERNAL AUDIT UNIT AND RELATIONSHIP WITH THE BOARD OF COMMISSIONERS AND MANAGEMENT**

The Internal Audit Unit shall have the support of the management and Board of Commissioners to ensure that the auditors are able to elicit the cooperation of the Auditee and carry out their work without hindrance.

3.1. **Position of the Internal Audit Unit within the Organization**

**a. Appointments and dismissals**

The Head of the Internal Audit Unit shall be appointed and dismissed by the Board of Directors of the bank, subject to the approval of Board of Commissioners, and any such appointment or dismissal shall be reported to Bank Indonesia.

**b. Independence**

The Head of the Internal Audit Unit shall be responsible to the President Director of the bank. To support independence and ensure smooth operation of the audit as well as authority for monitoring follow up actions, the Head of the Internal Audit Unit may also communicate directly with the Board of Commissioners to inform it of various audit-related matters. All such information shall also be reported to the President Director with a copy to the Compliance Director.
c. Reporting

The Head of the Internal Audit Unit shall:

i. submit audit reports to the President Director and Board of Commissioners with a copy to the Compliance Director,

ii. prepare semi-annual reports on the implementation and key findings of the audit for submission to Bank Indonesia. These reports shall be signed by the President Director and the Board of Commissioners,

iii. immediately prepare a report on any audit findings concerning matters likely to jeopardize the bank. The President Director and the Board of Commissioners shall immediately submit this report to Bank Indonesia.

3.2. Obligation of Management to Respond to Findings Reported by the Internal Audit Unit

The management shall respond to Internal Audit findings and immediately adopt any measures deemed necessary based on those findings.

3.3. Responsibilities of the Board of Commissioners

The responsibilities of the Board of Commissioners are at least to conduct the following:

i. Approve the Internal Audit Charter, respond to plans for Internal Audit and problems discovered by the Internal Auditor, and order special examination by the Internal Audit Unit if there are reasons to suspect fraud or violations of prevailing laws and regulations.

ii. Take necessary measures in the event that the Auditee does not follow up the report of the Head of the Internal Audit Unit.

iii. Ensure that:

• accurate reports are delivered on time to Bank Indonesia and other concerned agencies,
• the bank complies with prevailing laws and regulations.
iv. Ensure that the management guarantees that the External Auditor and Internal Auditor are able to work according to prevailing auditing standards.

v. Ensure that the management is operating the bank according to sound bank management principles.

vi. Evaluate the effectiveness of the Internal Audit Unit.

4. ORGANIZATIONAL STRUCTURE

The organizational structure shall clearly specify the aspects related to the division of work among the Auditors, the grouping of Auditors, the span of control, and delegation of authority by the Head of the Internal Audit Unit. Because activities and business volume differ from one bank to another, and also because of the differences with foreign banks, the organizational structure of the Internal Audit Unit needs to be adapted to the conditions faced by the individual bank. For foreign banks, the Board of Commissioners is defined as an officer appointed by the head office to perform the function of Board of Commissioners. If a network of bank offices requires a separate internal audit function, the function shall nevertheless operate under the coordination of the Internal Audit Unit. The assignment of Internal Auditors should allow for a regular rotation of duties, thereby enabling the Internal Auditors to build up their knowledge and competence.

5. AUTHORITY AND RESPONSIBILITIES

Internal Auditors shall be vested with the authority, position and responsibilities within their organizations to ensure that they are capable of performing their duties according to the professional working standards applicable to Internal Auditors of banks.

5.1. Internal Audit Charter

The mission, authority and responsibilities of the Internal Audit Unit shall be formulated in a written document approved by the Board of Commissioners and referred to as the Internal Audit Charter. The Internal Audit Charter shall at the minimum stipulate the following:
a. position of the Internal Audit Unit,

b. authority concerning access to records, employees, resources and funds, and other bank assets related to audit operations,

c. scope of Internal Audit activities,

d. a statement declaring that the Internal Auditor may not be vested with authority or responsibility to conduct the operations of the Auditee.

5.2. Authority and Responsibilities of the Head of the Internal Audit Unit

The status of the Head of the Internal Audit Unit shall enable him to maintain independence and give adequate attention to audit reports and follow up. The Head of the Internal Audit Unit shall also be responsible for audit planning, implementation, control, and guidance, as well as evaluation of existing procedures, all with the purpose of obtaining assurance that the objectives of the bank can be achieved in the best manner possible. In this regard, the Head of the Internal Audit Unit shall provide regular accountability for his actions to the President Director.

5.3. Role of the Internal Audit Unit as Consultant

The Internal Audit Unit shall strive to perform a consulting role for bank internal parties in need of advice, particularly concerning matters within the scope of Internal Audit. As part of this role, the Internal Audit Unit shall issue responses to proposed policies or systems and procedures to ensure that aspects of internal control are included in any such new policy or system and procedure in a way that enables the stated objectives to be achieved effectively and efficiently. The involvement of the Internal Audit Unit in this system review, however, shall not mean that these areas will be exempted from audit.

6. PLANNING

The activities of the Internal Audit Unit shall be based on planning. The Head of the Internal Audit Unit shall be responsible for planning the tasks to be undertaken by the work units under his charge. This plan shall
be consistent with the Internal Audit Charter and the objectives of the bank, and shall be approved by the President Director and reported to the Board of Commissioners. The audit planning process shall consist of:

6.1. Setting of Audit Objectives
The objectives of the Internal Audit Unit shall be measurable and compatible with the bank plans and budget.

6.2. Setting of the Audit Work Schedule
The audit work schedule shall encompass the activities to be audited, the date of commencement and the time required, taking into account the scope of audit and the findings of previous auditors. Matters to be taken into account in preparing an audit work schedule include the following:

a. audit findings from previous periods;

b. risk analysis, including business risks, lending risks, liquidity risks, exchange rate risks, and operating risks. The objective of risk analysis is to identify the materially significant components of the audited activities.

6.3. Human Resources Planning and Budget
Human resource planning and budget need to take into account the number of auditors needed to complete the assigned tasks, the needed qualifications, training necessary for expansion and the administrative work to be done.

6.4. Audit Work Report
The audit work report shall be submitted to the President Director and the Board of Commissioners with a copy to the Compliance Director. This report shall include a comparison between audit findings and previously determined targets, actual expenses compared to budget, reasons for irregularities, and past actions taken and actions now required to bring about improvements.
7. **POLICY AND PROCEDURES**

The Head of the Internal Audit Unit shall formulate a written policy and procedures to serve as guidelines to the Internal Auditors in conducting their duties. Contents of policy and procedures shall be adapted to the organizational structure and size of the Internal Audit Unit, as well as to the degree of complexity of bank operations.

8. **CAREER DEVELOPMENT AND PROFESSIONAL TRAINING OF INTERNAL AUDITORS**

The Internal Audit Unit shall have a program for recruitment and human resources development. This program shall include at least the following:

- a. clear job description and list of responsibilities for each auditor;
- b. criteria for qualified auditors;
- c. plan for ongoing education and professional training;
- d. method for assessment of auditor performance;
- e. career development for auditors.

9. **AUDIT QUALITY CONTROL**

The Internal Audit Unit shall have a program for evaluation of audit quality. This evaluation shall consist of:

9.1. **Supervision**

The work of Internal Auditors shall be constantly supervised to ensure compliance with audit standards, policies, procedures and the audit program.

9.2. **Internal Review**

Internal Auditors shall also conduct a continuous review of the quality of their audit work.
9.3. External Review

To assess the quality of Internal Audit Unit operations, the internal audit function of the bank shall be reviewed by an external agency not less than once every three years. This review shall be conducted by an independent, competent, external agency free of any conflict of interest. Reports of the external review shall state opinions of the findings of the Internal Audit Unit, compliance of the Internal Audit Unit with the Standards for the Practice of the Bank Internal Audit Function, and any remedial measures that may be adopted. The findings of the review shall be submitted to Bank Indonesia.

10. COORDINATION BETWEEN THE INTERNAL AUDIT UNIT AND THE EXTERNAL AUDITOR

The Internal Audit Unit shall be responsible for coordinating its activities with those of the external auditor. This coordination is expected to produce accurate, comprehensive audit findings. Coordination may take place through regular meetings convened to discuss matters of importance to both parties.
CHAPTER IV

SCOPE OF INTERNAL AUDIT

1. SCOPE OF WORK

The scope of work of Internal Audit shall encompass the examination and evaluation of the effectiveness of the internal control structure of the bank and the adequacy and quality of performance in carrying out its stipulated responsibilities. The scope of work and activities to be audited shall be guided by the President Director and the Board of Commissioners.

1.1. Evaluation of the Adequacy of the Internal Control Structure

The purpose of examination and evaluation of the adequacy of the internal structure is to determine to what extent the systems instituted in the bank can be relied on to provide adequate assurance that the purpose and objectives of the bank can be achieved in an efficient and economical manner.

1.2. Evaluation of Effectiveness of the Internal Control Structure

The purpose of examination and evaluation of the internal control structure is to determine the extent to which the structure is functioning as desired.

1.3. Evaluation of Performance

The purpose of examination and evaluation of performance is to establish to what extent the purpose and objectives of the organization have been achieved.
2. RELATIONSHIP OF INTERNAL AUDIT TO THE INTERNAL CONTROL STRUCTURE

Internal Audit forms part of the internal control structure. Internal control encompasses any action taken by management to ensure the achievement of the purpose and objectives laid down by management. The principal objective of internal control is to ensure:

a. security of third party funds;

b. achievement of stipulated operational goals and objectives;

c. economical and efficient use of resources;

d. truth and integrity of information;

e. compliance with policies, plans, procedures, and laws and regulations;

f. security of assets.

Examination and evaluation of the internal control structure is intended to provide the internal auditor with assurance that internal control is functioning according to the rules laid down by management.

2.1. Security of Third Party Funds

Internal Auditors shall evaluate the reliability of the established system for maintaining the security of funds received from the public in the form of time deposits, demand deposits, and savings, as well as other forms of third party funds.

2.2. Achievement of Stipulated Operational Goals and Objectives

Internal Auditors shall evaluate the extent to which the goals and objectives of certain operations are achieved, and whether they are achieved consistently as expected. In this regard, Internal Auditors must be able to evaluate the soundness of growth in banking operations both in terms of potential and constraints.

2.3. Economical and Efficient Use of Resources

Internal Auditors shall evaluate the extent to which resources are used economically and efficiently. This requires evaluation of the efficiency,
effectiveness, and security of certain operations, such as computerization. In addition, Internal Auditors shall evaluate the benefits gained from underutilized resources and facilities and from any underproductive work.

2.4. Truth and Integrity of Information

Internal Auditors shall evaluate the truth and integrity of financial and operational information, including the recording of bank liabilities and off-balance sheet items. The objective of evaluating this information is to ensure that it is accurate, reliable, punctual, complete, and useful to the interests of the bank, the public, and Bank Indonesia.

2.5. Compliance with Policies, Plans, Procedures, and Laws and Regulations

Internal Auditors shall evaluate the systems instituted to ensure compliance with policies, plans, procedures, and laws and regulations likely to have a significant impact on bank operations. This shall include evaluation of banking operations that may affect rating or cause problems.

2.6. Security of Assets

Internal Auditors shall evaluate the means employed to secure the assets of the bank, including resources and funds, as well as check the existence of such assets.
CHAPTER V
AUDIT IMPLEMENTATION

1. AUDIT IMPLEMENTATION
Factors affecting the approach to audit implementation include the size of a bank’s organization and its characteristics, business volume, and operational complexities. In conducting audit, it is therefore necessary to take into account the condition of the individual bank. Audit may be divided into five stages: preparation, program design, performance of the audit assignment, reporting, and follow up.

2. AUDIT PREPARATION
Proper preparation is essential for the efficient performance of the audit. The steps to be followed during the audit preparation phase include the audit assignment, audit notice, and preliminary research.

2.1. Methods of Approach
An Internal Auditor shall be capable of employing the methods of approach necessary to internal audit to ensure efficient implementation and effective audit. Methods of approach may vary from one auditor to another, and from one bank to another bank, but internal auditors have the minimum obligation to give attention to technical aspects such as sampling methods and selection and the testing techniques to be employed, the minimum audit evidence required, and the method of collecting the evidence, taking into account the concept of material significance.

2.2. Audit Assignment
Audit assignment is intended as a notice to the auditor serving as a basis for conducting audit as stipulated in the annual audit plan of the bank. The audit assignment shall be conveyed by the Head of the Internal Audit Unit to the head and members of the audit team in the form of a letter of
appointment of the head and members of the audit team, as well as the
time frame and objectives of the audit.

2.3. Notice of Audit

Internal Audit may only take place upon a written notice of audit issued
by the Internal Audit Unit and delivered to the Auditee before or at the
date of undertaking the audit. The notice of audit shall include the
following information:

a. confirmation of the authority of the Internal Audit Unit to conduct
   audit as stipulated in the Internal Audit Charter;

b. plan for preliminary meetings with the heads of the Auditee's work
   units for the purpose of explaining the audit objectives and allowing
   the heads of the Auditee's work units to explain the functions and
   activities of their work units;

c. chairperson and composition of team;

d. important information.

Following this, the heads of the Auditee's work units shall inform their
subordinates that an audit will be conducted by the Internal Audit Unit,
and order the preparation of the required data and information.

2.4. Preliminary Research

The purpose of preliminary research is to become acquainted with and
gain a high level understanding of each activity or function of the
Auditee, enabling the audit to focus on the strategic aspects so that the
Auditor can prepare more defined audit objectives. At this stage, the
Auditor shall gather adequate information on the Auditee, including
functions, organizational structure, authority and responsibilities,
policies, operating systems and procedures, risks and risk management,
success indicators, legal aspects, and other provisions. To obtain a
comprehensive picture of the system to be audited, it is necessary to
prepare a flow chart that enables the characteristics of activities operating
in relation to other activities to be more easily understood. The analysis of
the preliminary research shall be used as a basis for formulating the audit
program in greater detail. It is necessary that the information and findings of the analysis be fully documented and archived in the permanent file.

3. FORMULATION OF THE AUDIT PROGRAM

The audit program shall be designed to take into account the preliminary findings. The audit program shall:

a. comprise a documented procedure for the Internal Auditor in collecting, analyzing, interpreting, and documenting information during the performance of the audit, including records for future examinations;

b. state the audit objectives;

c. stipulate the extent, level and methodology of the testing required to achieve audit objectives at each stage of audit;

d. state the period of examination;

e. identify the technical aspects, risks, processes, and transactions to be examined, including electronic data processing.

A written audit program will facilitate audit control during implementation. Necessary amendments may be made to the program during the course of the audit.

4. AUDIT ASSIGNMENT

The audit assignment stage encompasses the collection, analysis, interpretation, and documentation of evidence, and other necessary information, according to the procedures laid down in the audit program for gathering adequate information to substantiate audit findings.

4.1. Process

The audit process covers the following activities:

a. Collecting adequate, reliable, and relevant evidence and information;

b. Examining and evaluating all evidence and information for the purpose of producing audit findings and recommendations;
Standards for the Practice of the Bank Internal Audit Function

c. Stipulating testing methods and sampling techniques that may be used and developed as required, including testing of control and testing to substantiate account balances, e.g., validation of deposit and credit accounts;
d. Supervising the process of gathering evidence and information, and of any testing;
e. Documenting the Audit Working Sheets.
f. Reviewing the audit findings with the Auditee.

4.2. Evidence

Audit evidence comprises all data and information for use by the Auditor in supporting audit findings. The Internal Auditor shall obtain adequate, competent and relevant evidence to support the formulation of his conclusions and recommendations. In doing so, the Internal Auditor shall exercise his professional judgment in determining the numbers and categories of evidence required after an in-depth study of the circumstances. This evidence may be obtained through physical examination or documents, confirmations, observations, interviews, calculations, and analytical testing.

4.3. Evaluation of Findings

The evaluation of audit findings is the responsibility of each member of the audit team. In evaluating audit findings, the team shall formulate conclusions at each level of the audit program, evaluate the audit findings against the audit objectives, and prepare a summary of findings and audit recommendations.

a. Conclusions of audit program implementation

When the audit program and procedure has been completed, the Internal Auditor shall prepare the audit conclusions as required in the objectives of the audit program and procedure.
b. Evaluation of audit findings against audit objectives

If during testing the Internal Auditor discovers irregularities, the irregularities shall be evaluated on the basis of a cause-effect analysis.

c. Summary of findings and recommendations

The Internal Auditor shall prepare a summary of audit findings and recommendations. If weaknesses or irregularities have been discovered, the summary shall disclose at least the following:

i. the facts or circumstances as they happened;

ii. the circumstances that should have been the case;

iii. causes of irregularities;

iv. impacts resulting from the irregularities;

v. remedial measures adopted by the Auditee;

vi. recommendations of the Internal Auditor.

4.4. Supervision

The Head of the Internal Audit Unit must be able to guarantee that accurate, detailed supervision takes place during audit implementation. This supervision shall be conducted on an ongoing basis from the beginning to the end of the audit assignment. Supervisory activities shall include:

a. preparation of clear instructions to the Internal Auditor and approval of the audit program;

b. supervision of audit program implementation;

c. definition of the adequacy of audit working sheets;

d. evaluation of the report of audit findings for accuracy, objectivity, comprehensiveness, and completion within the required audit deadline;

e. evaluation of the achievement of the audit objectives.

Evidence of the performance of supervisory work shall be documented and filed.
Supervision shall be carried out at a level appropriate to the qualifications of the Internal Auditors and the complexities of the problems involved.

If audit is conducted by another party, responsibility for supervision shall remain with the Head of the Internal Audit Unit.

5. **REPORTING**

After the completion of audit, the Internal Auditor shall set out the audit findings in a written report. This report shall be written comprehensively according to reporting standards; the formulation of the report shall employ an appropriately designed process.

5.1. **Reporting Standards**

Reports on audit findings shall comply with the following minimum standards:

a. Reporting shall be in writing

   Reports shall be prepared in writing, stating the audit findings according to the scope of audit assignment. In addition, reports shall also serve as formal documents that reflect the accountability of the Internal Auditor and the Auditee for the activities undertaken in the audit.

b. Reports shall be concise and easily understood

   Reports shall be drawn up in concise form, presenting key points and the remedial measures that need to be adopted by the Auditee.

c. Reports shall be supported by adequate working sheets

   Reports containing audit findings shall be supported by adequate working sheets to ensure that the findings can be substantiated.

d. Reports shall be objective

   Reports shall be objective and based on facts; they shall not be biased towards any particular interest.
e. Reports shall be constructive

Reports shall be constructive, providing recommendations for improvements or guidance for the Auditee to adopt remedial measures.

f. Reports shall be signed by the Internal Auditor and/or the Head of the Internal Audit Unit

The Auditor and/or the Head of the Internal Audit Unit shall affix their signatures as an affirmation of their accountability for the integrity of the report.

g. Reports shall be prepared and delivered on time

Reports shall be prepared and delivered on time or within a deadline relevant to the material presented in the report.

h. Reports shall be expressed systematically

Reports shall be expressed systematically, stating among others the audited operations or activities, the audit period, audit findings, conclusions and recommendations, and the response of the Auditee.

5.2. Contents

The information presented in reports shall be clear and comprehensive. To ensure that reports are informative and effective, the information presented shall include:

a. Objectives, scope, and approach of the audit

The purpose of stating these items is to inform the reader in advance of the objectives, scope and approach of the audit to provide the reader with a proper background for the information presented in the report.

b. Audit findings

The audit findings disclosed in a report shall state clearly the facts, the circumstances that should have been the case, and the impacts and causes of any irregularities that might have occurred. Vital findings shall be reported immediately by the Audit Team Leader to the Head
of the Internal Audit Unit without waiting for the completion of the audit.

c. Conclusions of the Internal Auditor concerning the findings

The Internal Auditor shall issue his conclusions concerning the audit findings. These conclusions shall encompass both accomplishments and irregularities insofar as they fall within the scope of his audit.

d. Declaration by the Internal Auditor concerning compliance of the audit with the Standards for the Practice of the Bank Internal Audit Function

It is necessary for the Internal Auditor to declare that the audit has been conducted in compliance with the Standards for the Practice of the Bank Internal Audit Function.

e. Recommendations

If the audit discovers weaknesses or irregularities, the Internal Auditor shall issue recommendations for remedial measures.

f. Auditee response

The auditee shall be given opportunity to deliver responses or comments to the audit findings. These responses or comments may comprise confirmations or assent, or may consist of refusals or rebuttals with reasons stated. The Auditee shall then provide a commitment to undertake the necessary remedial measures within a specified deadline.

g. Check on Auditee commitments

The report shall also state the Internal Auditor's findings concerning his checks on any outstanding commitments made by the Auditee pursuant to past audits.

5.3. Special information Not Disclosed in the Audit Report

If any particular information in audit findings is highly restricted and not stated in the Audit Findings, this information shall be reported confidentially to the President Director, the Board of Commissioners, and the Compliance Director, depending on the nature of the special
information. Such information shall be included in the key audit findings submitted to Bank Indonesia semi-annually.

5.4. Process for Formulating Reports

Reports shall be formulated carefully through a detailed process to ensure accuracy and usefulness to the Auditee. This process shall include:

a. Compilation and analysis of audit findings
   
The audit findings to be set out in the report shall be compiled and analyzed according to their significance.

b. Confirmation with the Auditee
   
The audit findings shall be confirmed with the Auditee for his information.

c. Discussion with the Head of the Internal Audit Unit
   
Following compilation and analysis, the audit findings shall be discussed with the Head of the internal Audit Unit or an authorized officer.

d. Discussion with the Auditee
   
The purpose of this discussion is for the Auditee to commit himself to remedial measures within specific agreed deadlines.

e. Review
   
The draft report compiled by the audit team shall be reviewed by the Head of the Internal Audit Unit or an authorized officer to verify the truth and integrity of the report.

5.5. Submission of Reports

a. Reports of the Head of the Internal Audit Unit to the President Director, the Board of Commissioners, the Compliance Director, and the Auditee.

The Internal Audit Report shall be submitted by the Head of the Internal Audit Unit to the President Director, the Board of
Commissioners, the Compliance Director, and the Auditee for their information and to enable follow up.

b. Reports of the President Director and the Board of Commissioners to Bank Indonesia

The President Director and the Board of Commissioners shall deliver reports on the implementation and key internal audit findings to Bank Indonesia semiannually. Additionally, if internal audit findings reveal matters that may place the bank in jeopardy, the President Director and the Board of Commissioners shall immediately report the matter to Bank Indonesia.

6. FOLLOW UP ON AUDIT FINDINGS

The Internal Audit Unit shall monitor, analyze, and report on remedial follow up measures adopted by the Auditee. This follow up encompasses:

a. Monitoring of follow up actions

Follow up actions must be monitored so that the Internal Audit Unit can be informed of progress in this area. This monitoring is also necessary to enable reminders to be issued to the Auditee if the Auditee is unable to comply with commitments for remedial measures by the agreed deadlines for such actions.

b. Analysis of adequacy of follow up actions

The findings of monitoring of follow up actions shall be used to analyze the adequacy of the actions taken to comply with the commitments made by the Auditee. Furthermore, rechecking of follow up is also necessary in cases of difficulties or constraints that prevent the follow up from being duly carried out.

c. Reporting of follow up actions

If the Auditee fails to undertake remedial measures, the Internal Audit Unit shall issue a written report to the President Director and the Board of Commissioners recommending further action.
CHAPTER VI

DOCUMENTATION AND ADMINISTRATION

1. DOCUMENTATION AND ADMINISTRATION

To ensure support for the audit findings, the Internal Audit Unit shall document and administer documentary evidence, commencing from the planning stage and including preparation, implementation, analysis, evaluation, and reporting of audit findings. All files of Audit Working Sheets, including correspondence and the Audit Findings, shall be documented and duly administered.

2. DOCUMENTATION OF AUDIT WORKING SHEETS

Documentation of the Audit Working Sheets by the Internal Audit Unit shall be clear and complete. The Audit Working Sheets may comprise paper, diskettes, magnetic tape, film or other media. The compilation of these working sheets shall take into account their function, order of documentation, and archiving.

2.1. Function

Audit Working Sheets are the principal means for substantiating Audit Findings; they are also useful to the processes of planning and implementation, and of monitoring of audit findings. The sheets also enable the assessment of whether the audit has achieved its planned objectives and are useful to other concerned parties in examining the audit findings and assessing the capabilities or quality of the Internal Audit Unit in the performance of its duties.

2.2. Compilation

The compilation of Audit Working Paper documentation shall be:

a. Neat

Documentation of Audit Working Sheets shall be tidy, facilitating convenient use. The Audit Working Sheets shall be complete, clear
and easily understood to permit easy retrieval by those requiring the information.

b. Systematically arranged

Documentation of Audit Working Sheets shall be arranged systematically according to the chronological order of events with the use of a file index.

2.3. Filing

Audit Working Sheets are files belonging to the bank, and filing shall take place according to the regulations of filing, security, and secrecy applicable to the bank concerned. The following are some of the specific requirements to be taken into account in the filing of Audit Working Sheets:

a. Permission for use

Audit Working Sheets are the property of the bank, and therefore any retrieval, borrowing, and copying by parties outside the Internal Audit Unit, e.g., other units within the bank or the external auditor, shall be authorized by the Head of the Internal Audit Unit subject to the regulations governing bank secrecy.

b. Control

Audit Working Sheets shall remain under the control of the Internal Audit Unit and may only be read by or loaned to authorized personnel.

c. Filing

The filing of Audit Working Sheets shall be divided into the Current File and Permanent File. The Internal Audit Unit shall prepare regulations on the filing procedures for the Current File and Permanent File in conformity with prevailing regulations, including the rules on the schedule of retention.
3. **ADMINISTRATION OF AUDIT FINDINGS**

The final results produced by the Internal Audit Unit are the Audit Findings, prepared in writing. The Audit Findings shall be supported by the documentation of Audit Working Sheets, and shall first be examined by the Head of the internal Audit Unit for verification of the method of presentation and the integrity of the findings. The Audit Findings and correspondence shall be archived as confidential documents.

3.1. **Administration of Audit Communications**

All correspondence and reports related to the audit and comprising communications with the Auditee and other parties shall be duly administered.

3.2. **Administration of the Completeness of Audit Implementation**

After the audit, the Internal Audit shall verify that all files of Audit Working Sheets are complete, commencing from the planning stage and including the implementation and follow up of audit findings.
GLOSSARY

Appointment and dismissal of the Head of the Internal Audit Unit

"Reported to Bank Indonesia" in No. 3.1. letter a means that Bank Indonesia is informed and the event is recorded by Bank Indonesia. Improper appointment or dismissal will not be recorded by Bank Indonesia.

Auditee

A working unit or activity in a bank organization undergoing audit.

Board of Directors

The executive management of a Bank appointed in a General Meeting of Shareholders and comprising a President Director and one or more Directors.

Compliance Director

A member of the board of directors of a Bank designated the task of determining the measures necessary to ensure bank compliance with Bank Indonesia regulations, other prevailing laws and regulations, and agreements and commitments with Bank Indonesia.

Conflict of Interest

A condition in which an Internal Auditor is unable to arrive at an independent and objective decision because of some element of bias.

Current file

A current file is a collection of documents related to an ongoing audit.

Examination Norms of Internal Control Units of State Owned Enterprises/Regional Government Owned Enterprises

The norms or standards for the conduct of internal audit by Internal Control Units of State Owned Enterprises/Regional Government Enterprises, formulated by the Government Audit Agency.
External Auditor

A professional auditor independent of the organization of the audited bank.

File Index

An indexing of the archiving of Audit Working Sheets in an audit file.

Head of the Internal Audit Unit

An officer holding the highest position in the Internal Audit Unit and in such capacity responsible directly to the President Director.

Internal Audit Charter

An official document of the bank, stating the mission, authority and responsibilities of the Internal Audit Unit. This document may be given another name as long as it complies with these criteria.

Internal Audit Guidelines

Guidelines for conducting Internal Audit as applicable to each bank. These guidelines shall refer to the Standards for the Practice of the Bank Internal Audit Function.

Internal Audit Unit

A work unit for conducting the Internal Audit function. The name given to this unit may be stipulated at the discretion of the individual bank.

Internal Auditor's Statement of conformity of the audit with the Standards for the Practice of the Bank Internal Audit Function

A written statement issued by the Internal Audit Unit stating that the performance of the audit and factors affecting the audit comply with the Standards for the Practice of the Bank Internal Audit Function. Effectively, this means that the Standards for the Practice of the Bank Internal Audit Function shall be applied in full, in essence covering the following:

1. Standards pertaining to the organization and management of the Internal Audit Unit that support the independence of audit operations.
2. Standards pertaining to Internal Auditor qualifications, in particular professionalism, to ensure audit effectiveness.
3. Standards pertaining to the scope of Internal Audit.
4. Standards pertaining to each stage of audit implementation.

Management

Officers in charge of work units at all organizational levels of the bank and bearing responsibility for setting and achieving objectives.

Off-site monitoring

Continual monitoring of the activities of the Auditee in the performance of its tasks, ordinarily based on regular reports submitted by the Auditee or other significant and relevant information.

On-site examination

On the spot examination of the activities of the Auditee in the performance of its functions.

Permanent File

A permanent file is a compilation of documents of permanent value.

President Director

The officer holding the highest management position in a bank, appointed in a General Meeting of Shareholders.

Professional Code of Ethics

The work ethics used as a basis for upholding professional responsibility and integrity.

Special information not disclosed in the Audit Report

Sensitive information reported only to specific parties.

Standards for the Practice of the Bank Internal Audit Function

"Standards" in the Standards for the Practice of the Bank Internal Audit Function are the minimum standards to guide banks in the operation of the Internal Audit function. These standards also serve as criteria applicable to the evaluation and assessment of the effectiveness of the Internal Audit Unit.
Standards for the Professional Practice of Internal Auditing

The standards for the professional practice of internal auditing laid down by the Institute of Internal Auditors (IIA).

The Institute of Internal Auditors (IIA)

An international professional organization for Internal Audit founded in New York in 1941. This organization lays down standards for the professional practice of internal audit and conducts professional training programs.