



# **PT LIPPO KARAWACI Tbk**

## **Internal Audit Charter**

## **INTERNAL AUDIT CHARTER PT LIPPO KARAWACI TBK**

### **I. LEGAL FOUNDATION**

Background of establishing the Internal Audit is based on the Regulation of Financial Services Authority No.56/POJK.04/2015 dated 29 December 2015 regarding the establishment and guidelines for Internal Audit Charter.

### **II. DEFINITION**

- a. **Internal Audit** is an activity providing an independent and objective assurance and consultancy, with the aim to increase the value and improve the operations of the Company through a systematic approach, by evaluating and improving the effectiveness of risk management, control, and corporate governance process
- b. **Board of Commissioners** is an organ of the Company which supervise the Board of Directors in general and/or specifically pursuant to the Article of Association of the Company, as well as provide advices to the Board of Directors
- c. **Board of Directors** is an organ of the Company which has fully authority and responsibility of management of the Company, in order to fulfill the purposes and objectives, as well as represent the Company or public company both in and out of the court pursuant to the Article of Association of the Company.
- d. **Financial Services Authority (FSA)** is government institution which is established based on the Law No.21 year 2011 functioned to implement integrated management and supervision system for all activities in financial sector.
- e. **Stakeholder** is the parties which have interest in the Company
- f. **Shareholders** are all the shareholders of the Company
- g. **Company** is PT Lippo Karawaci Tbk.
- h. **Public** is every and all parties outside the Company

### **III. MISSION**

Mission of the Internal Audit is to help the Company runs the inspection functions and provides assessment independently and objectively toward effectivity of risk management, internal control as well as compliance to the corporate governance process of each unit of work and daily process.

#### **IV. STRUCTURE AND POSITION OF INTERNAL AUDIT**

- a. Internal Audit directly responsible to the President Director and in performing their duties to report to the President Director and the Board of Commissioners through the Audit Committee;
- b. The head of Internal Audit is appointed and dismissed by President Director based on a resolution letter of the Board of Directors after obtaining the approval of the Board of Commissioners to consider the fulfillment of the requirements for becoming an internal auditor as provided for in this Charter;
- c. Head of Internal Audit is responsible to the President Director;
- d. An auditor who is member of the Internal Audit is responsible directly to the head of the Internal Audit;
- e. Every appointment, replacement or dismissal of the head of the Internal Audit immediately notified to the Financial Service Authority (FSA).

#### **V. AUDITOR REQUIREMENTS IN INTERNAL AUDIT**

- a. The number of members of Internal Audit shall be at least as many as 19 people, and one of them are appointed by the Board of Directors to become Head of Internal Audit.
- b. An individual can be appointed as internal auditor if only meet the requirements as below:
  1. Have integrity and professional behaviour, independent, honest and objective in performing its duties;
  2. Have adequate technical knowledge on auditing and experiences and other related knowledge to its duties;
  3. Have adequate knowledge regarding applicable regulations in capital market and other related regulations;
  4. Have a competence to interact and communicate effectively both in spoken and written;
  5. Meet the professional standards issued by the association of Internal Audit;
  6. Keep confidential information and/or data related to the Company's implementation of the duties and responsibilities of the Internal Audit except as required by legislation or establishment/injunction;
  7. Understand the principles of good corporate governance and risk management

8. Willingly to enhance the knowledge, skills and abilities professionalism continuously;
  9. Performing its duties and providing factual assessment objectively;
  10. Meet the code of conduct of the Internal Audit.
- c. Internal Audit membership ends if:
1. The term of office has expired;
  2. Died;
  3. Resigned from its position; and
  4. No longer meets the requirements of the applicable regulations
- d. Members of Internal Audit may resign by giving written notification to the Head of Internal Audit at least thirty (30) days prior to the effective date of resignation.
- e. In terms of members of Internal Audit are in vacant, the Board of Directors may consider appointing new member within 3 (three) months.

## **VI. DUTIES OF INTERNAL AUDIT**

The scope of duties of the Internal Audit are as follows:

1. To assist the President Director and Board of Commissioners, especially the Audit Committee appointed by the Board of Commissioners in monitoring and evaluating the implementation of internal control and risk management in order to conform to the Company's policies
2. To develop and implement an annual plan of Internal Audit;
3. To review the independency, efficiency, and effectiveness of all management functions within the Company;
4. To assess the effectiveness of internal control system, including compliance with policies, procedures, guidelines and limits that have been set;
5. To assess the reporting system as well as assessing the accuracy and timeliness of reporting to management;
6. To assess the feasibility and fairness of accounting guidelines and treatment used and test compliance with the accounting policies and guidelines that have been established;

7. To conduct internal audits effectively by doing Current Audit, Regular Audit or even special Audit. Those internal audit activities are supported by the independent, competent, and professional Auditor;
8. Reporting the results of the audit findings directly to the President Director and the Board of Commissioners (through the Audit Committee);
9. To perform inspection and assessment of the efficiency and effectiveness of finance accounting, operations, human resources, marketing, information technology and other activities;
10. To provide improvement advices and information objectively regarding the activities examined at all levels of management;
11. Monitor , analyze and report on implementation of the improvements that have been suggested;
12. Working closely with the Audit Committee;
13. To develop programs to evaluate the quality of internal audits carried out;
14. To investigate if there are indications of fraud, embezzlement and other indications are adverse to the Company.

## **VII. RESPONSIBILITIES OF INTERNAL AUDIT**

The head of Internal Audit is responsible to:

1. Delivering a flexible annual audit plan to the Audit Committee to be reviewed and obtain approval;
2. Implementing an annual audit plan that has been approved includes a special duties requested by the President Director and the Audit Committee;
3. Maintaining a professional auditor member whose the knowledge, skills and experience sufficient to perform its duties;
4. Delivering periodic reports a summary of the audit to the President Director and the Audit Committee;
5. Assisting the investigations on the activities of the alleged significant irregularities in the Company and present the results of the audit to the President Director and the Audit Committee.

## **VIII. AUTHORITY OF INTERNAL AUDIT**

In performing its duties, Internal Audit is authorized to do things like follow:

1. To conduct audit of Business Units of the Company and have access to all data and documents required pursuant to the scope of the audit, defined by the Internal Audit policy to support the implementation of the audit function;

2. To get support from all staff and management by providing information and explanations necessary in the discharge of internal audit;
3. To coordinate its activities with the activities of external auditors;
4. To convene regular meetings and incidental to the Board of Directors, Board of Commissioners and/or the Audit Committee;
5. To communicate directly with the Board of Directors, Board of Commissioners and/or the Audit Committee

## **IX. ACCOUNTABILITY AND INDEPENDENCY**

In order to maintain independency and objectivity, the Internal Audit is not involved directly and prohibited to have direct responsibility or authority over the daily transaction process and other transaction activities in the unit inspected

## **X. GUIDELINE AND REPORTING**

- a. As part of the Internal Control System, in setting the position, authority, responsibility, professionalism, organization and scope of work, the Internal Audit of the Company guided by the Internal Audit and Code of Conduct of Internal Audit generally accepted;
- b. In providing opinions, assessments and recommendations, the Internal Audit should always follow, maintain and develop the norms and ethics of monitoring, so as to give a proper assessment, objective and beneficial to the Company;
- c. The follow up audit report, both internally and externally is the responsibility of each business unit that is checked to be improved in accordance to policies of the Company as well as become one of the factors for the Company to assess the performance of its business units. In the implementation of the monitoring/controlling, the Board of Directors shall ensure that every checking report will be followed up and/or have been followed up by the related business units;
- d. Internal Audit shall monitor and report the progress on implementing of the improvements that have been made by auditee. The monitoring includes:
  1. Monitoring of the implementation of the follow-up  

Monitoring of the implementation of the follow-up to be done, in order to know its development and be reminded of the auditee if the auditee has not been able to implement commitments towards the improvement or until the promised time.

2. Analysis the adequacy of the follow-up

From the result of monitoring, there is an analysis of the adequacy of the realization of the commitment to improvements that have been implemented auditee. Further, the monitoring of the follow up needs to be done again if there are difficulties or obstacles that causes follow-up can not be done properly

3. Reporting of the follow-up

If the implementation of the follow-up was not performed by the auditee, the Internal Audit shall provide a written report to the President Director and the Board of Commissioners (through the Audit Committee) for further action.

## **XI. CODE OF CONDUCT**

All members of the Internal Audit should uphold the code of conduct as below:

a. Integrity

1. Obligated to perform its duties in an honest, cautious and responsible;
2. Obligated to comply to the law and make disclosures as required to avoid any legal or professional activity or act against the law;
3. Obligated to respect and support the reputation of the Company;
4. Obligated to prioritize the Company, the shareholders and the other stakeholders of the company

b. Objectivity

1. Do not participate in any activities or relationship that might, or reasonably suspected to be blocking or reducing the internal auditor's assessment of a fair and independent. In this matter, including any activities or relationship which causes conflict of interest with the organization;
2. Do not accept anything that may be or should be able to interfere with professional judgement;
3. Shall disclose all material facts that exist and do not hide things that can harm the Company or against the law;

c. Secrecy

1. Obligated to be cautious in using and maintaining the information obtained during the performance of their duties

2. Do not use the information to get to the interests and personal gain, or in any way contrary to the law or detrimental to the Company

d. Competency

1. Only involve in the services that required knowledge, skills and experience they have;
2. Shall provide internal audit services pursuant to the Internal Audit Standards;
3. Shall constantly improve the skill, effectiveness and quality of services.

**XII. CLOSING**

- a. This Charter is effective since the day stipulated by the Board of Directors after obtaining approval from the Board of Commissioner.
- b. This Charter is obliged to be published in Company's website.
- c. This Charter is also need to be reviewed regularly or updated deemed necessary by still considering the applicable provisions and regulations and approved by the Board of Commissioner of the Company.



**Set in Jakarta  
On 24 May 2017**

**Board of Commissioners**

*signed*

**Theo L. Sambuaga**  
President Commissioner

*signed*

**Farid Harianto**  
Independent Commissioner

*signed*

**Surjadi Soedirdja**  
Vice President Commissioner  
& Independent Commissioner

*signed*

**Sutiyoso**  
Independent Commissioner

*signed*

**Agum Gumelar**  
Independent Commissioner

**Board of Directors**

*Signed*

**Ketut Budi Wijaya**  
President Director

*signed*

**Johanes Jany**  
Director

*signed*

**Jenny Kuistono**  
Independent Director

*signed*

**Tjokro Libianto**  
Director

*signed*

**Lee Heok Seng**  
Director

*signed*

**Alwi Sjaaf**  
Independent Director

*signed*

**Chan Chee Meng**  
Director

*signed*

**Richard H. Setiadi**  
Director