

## CONTENTS

1. Introduction
2. Authority
3. Structure & Reporting
4. Independence & Objectivity
5. Qualifications
6. Responsibility
7. Quality Assurance & Improvement

## 1. INTRODUCTION

### Definitions

Internal auditing is an independent, objective assurance and consulting services designed to enhance and protect organizational value.

Internal audit activities add value, improve organization's operations and assist organization in accomplishing its objectives by bringing a systematic, disciplined, risk-based approach to evaluate, improve and provide insights and feedbacks on the effectiveness of risk management, control, and governance processes.

### The Objectives of Internal Audit

The Objectives of internal audit are to assist members of the organization in the effective discharge of their responsibilities by furnishing them with analyses, appraisals, recommendations, counsel, insights and information concerning the activities reviewed and by promoting effective control at reasonable cost.

### Scope of Work

The scope of internal audit includes the organizations risk management, control and governance processes across commercial, operational and financial operations to ensure:

- Risks are appropriately identified and managed.
- Significant financial management and operating information is accurate, reliable and timely.
- Employees' actions are in compliance with laws, policies, standards and procedures.
- Resources are acquired economically, used efficiently and adequately protected.
- Programs, plans and objectives are achieved.
- Quality and continuous improvement systems are fostered in the organization's control process.
- Significant legislative or regulatory issues impacting the organization are recognized and addressed properly.
- Company's anti-bribery management system is maintained and conformed with the own requirement and/or prevailing laws and regulations.

The scope of internal audit is not inclusive to/must be independent from/required additional safeguards on certain roles for instances, but not limited to:

- Provision of legal solution and/or counsel in relation to audit findings;
- Creation and setting up risk appetite.
- Creation of procedures/guidelines.
- Compliance and security.

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- Any responsibility in relations to operational matter outside internal auditing role.

## Internal Control

Internal Audit will rely substantially on two other internal control processes to meet the above objectives and scope of work:

- Division management reviews of projects/functions.
- Project/function self-assessment of their own activities.

## 2. AUTHORITY

### Authority of the Internal Audit Activity

Internal Audit has the authority to:

- Hold informal meetings with the Audit, Risk and Compliance (ARC) Committee's Chairman;
- Conduct audit and review on all PT Petrosea's interests (including subsidiaries and Joint Operations).
- Coordinate and communicate with subsidiaries' internal auditors and obtained subsidiaries' internal audit reports.
- Communicate with all management and staff.
- Have full, free and unrestricted access to all functions, activities, operations, records, data files, computer programs, properties and personnel of the organization.
- Coordinate auditing activities with external auditors.

### Confidentiality and Discretion

Internal Audit must exercise discretion in the review of records to ensure the confidentiality of all matters that come to its attention.

## 3. STRUCTURE & REPORTING

### Structure

Internal audit is led by Division Head of Internal Audit which is appointed and dismissed by the President Director subject to the approval of Board of Commissioner.

President Director can propose the replacement of the Division Head of Internal Audit after obtaining approval from Board of Commissioner, if the Division Head of Internal Audit does not fulfill the requirement as an auditor of Internal Audit division as stated in this charter and/or fails or is incapable to perform his or her duty.

Auditor of Internal Audit division reports directly to Head of Internal Audit.

### Reporting Relationship

The Division Head of Internal Audit will report to the President Director and will have direct access to the ARC Committee. The Division Head of Internal Audit will also attend the ARC Committee meetings.



## 4. INDEPENDENCE & OBJECTIVITY

### Independence and Objectivity

The internal audit activity must be independent, and internal auditors must be objective in performing their work.

The internal audit activity must be free from interference in determining the scope of internal auditing, performing work, and communicating results. Internal auditors must have an impartial, unbiased attitude and avoid conflicts of interest.

## 5. QUALIFICATIONS

### Qualifications

Internal Auditor is required to:

- a. has professional integrity and conduct, independence, fairness, and objectiveness in performing his or her duty.
- b. has knowledge and experience in audit technique and other relevant science in accordance to his or her duty.
- c. has knowledge in capital market regulations and other relevant regulations.
- d. has capability to effectively interact and communicate both verbally and in writing.
- e. obey the professional standards issued by the Institute of Internal Auditors (IIA).
- f. obey the internal auditor's code of ethics.
- g. protect the confidentiality of PT Petrosea's information, data and/or documents in relation to internal audit assignments unless disclosures are required by law or summoned by the Court.
- h. understand good corporate governance and risk management principle
- i. be willing to enhance his or her professional knowledge, expertise and skill in continuous basis.

### Standards and Ethics

The IIA established Standards for the Professional Practice of Internal Auditing (Standards) and Code of Ethics. Internal Audit will observe and abide by the IIA Standards and Code of Ethics.

Internal Audit will ensure to perform the assignments in conformance with the independence, due professional care, integrity and competence required by the Standards and Code of Ethics.

## 6. RESPONSIBILITY

### Overall Responsibility

The Division Head of Internal Audit is responsible for:

- Developing an annual audit plan based on Company's risk assessment and presents it to the ARC Committee and President Director for approval.
- Reviewing and evaluating the internal control and risk management implementation is in accordance with the Company's policies.
- Evaluating the efficiency and effectiveness of the Company's financial, accounting, operational, human resources, marketing, information technology and other activities.
- Evaluating the effective implementation of Company's anti-bribery

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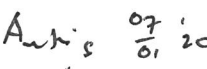
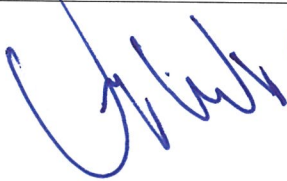
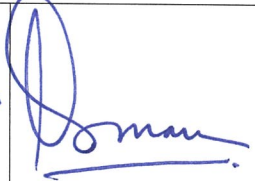
management system based on own requirement and/or prevailing law and regulations.

- Providing objective recommendation and information on the audited activities.
- Distributing audit reports to President Director, Board of Commissioner and ARC Committee along with recommendations and suggestions to improve overall internal control.
- Performing follow up on audit recommendations on regular basis to ensure implementation.
- Liaising with ARC Committee and external auditors to promote efficient and effective audit coverage.
- Managing and monitoring internal audit activities and ensuring the quality of the output.
- Reporting progress against plans to the ARC Committee.
- Performing special assignment if required.

## 7. QUALITY ASSURANCE & IMPROVEMENT

### Requirements

The Division Head of Internal Audit must develop and maintain a quality assurance and improvement program covering all aspects of the internal audit activity. The assessment is to ensure that internal audit activity conforms to the Standards and Code of Ethics.

					
5	January 2020	Issued For Approval	HARYANTO GINTING Division Head of Internal Audit & Quality Assurance	HANIFA INDRADJAYA President Director/CEO	OSMAN SITORUS Chairman of ARC Committee
REV	DATE	DESCRIPTION	PREPARED	APPROVED	APPROVED

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