internal audit report

Internal Audit is fully committed to support the continued transformation of the Bank to the Corporate Plan 2020 through a more comprehensive audit approach to innovation, consistency and synergies as a key. Role as a third line of defense, Internal Audit in the implementation of the reorganization to make sure that the first step towards the vision of the transformation of Bank Mandiri in 2020 along with getting stronger and cultural maturation internal control in every line of defense.

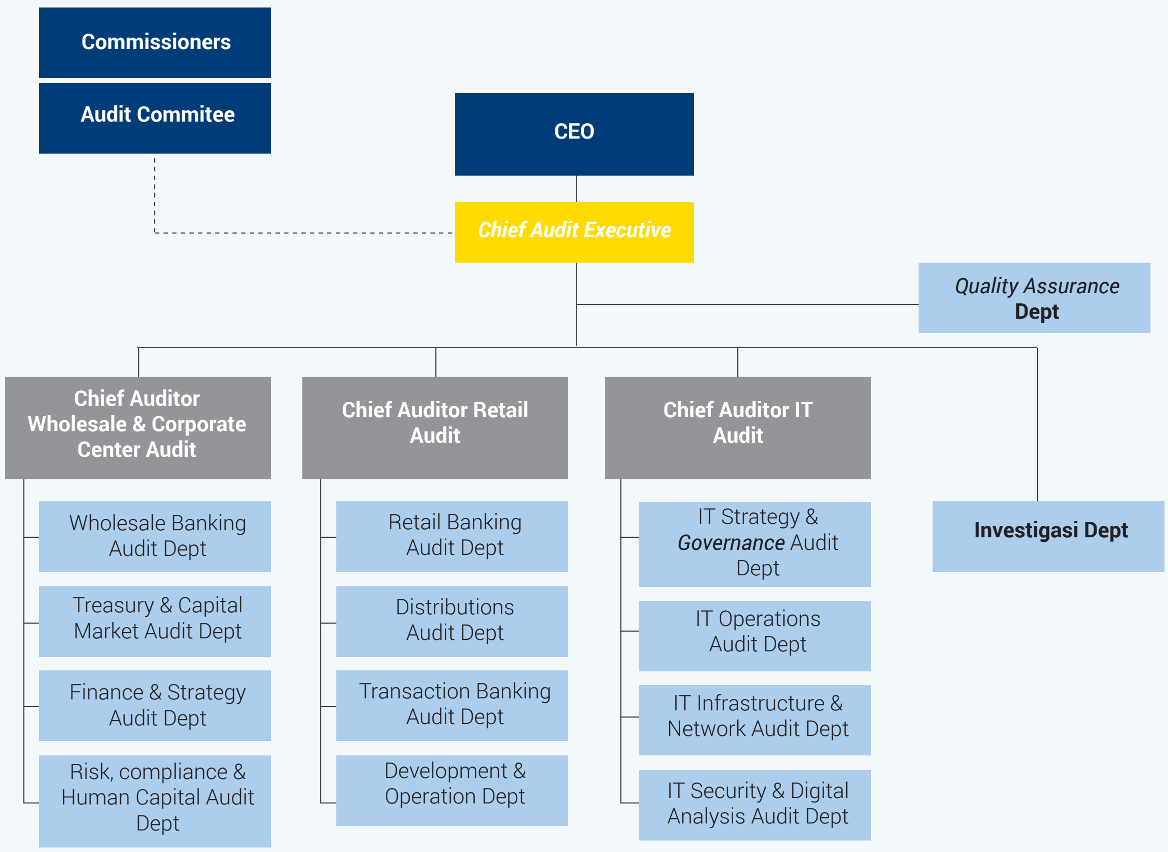
Audit approach applied to the Internal Audit in 2015 involving all levels of the internal audit units and other related work, as well as considering other key inputs are considered significant, the Corporate Plan 2015-2020, past events/loss, internal and external audit findings in previously, concern the Board of Directors and Audit Committee, rules and compliance with regulations and best practices.

Related to the implementation of Regulation of the Financial Services Regulation (POJK) No. 18/POJK.03/2014 on the Application of Integrated Governance Share Financial conglomerate, as the main entity in the financial conglomerate, the bank is required to have Integrated Internal Audit Unit (SKAI Integrated) are independent, which in this case the task was carried out by the Internal Audit Unit Integrated Internal audit of Bank Mandiri. Internal Audit also has collaborated with the 1st line, 2nd line and Subsidiaries Internal Audit function to ensure the implementation of internal control is effective in Mandiri Group.

Organizational Structure and Position of Internal Audit

Internal Audit Function in the organization at the level of the Directorate and is directly responsible to the President Director and can communicate with the Board of Commissioners through the Audit Committee. Internal Audit organizational structure tailored to the organization's business strategy of the Bank. Internal Audit since December 18, 2014 which has three Group Wholesale & Corporate Center Audit Group, Retail Group Audit and IT Audit Group.

Following the organizational structure of Internal Audit of Bank Mandiri:



In the structure of the organization, Chief Audit Executive in charge of the Chief Auditor Wholesale & Corporate Center Audit, Chief Auditor Retail Audit, IT Audit Chief Auditor, Quality Assurance, Investigation and Development & Operations.

Appointment and Dismissal of Chief Audit Executive

Chief Audit Executive (CAE) shall be appointed and removed from office and is responsible directly to the Managing Director with the approval of the Board of Commissioners and/or Audit Committee and subsequently reported to Bank Indonesia and the OJK, the Capital Market Supervisory Agency and Financial Institution.

Profile of the CAE

Internal Audit is led by Mrs. Mustaslimah as Chief Audit Executive (CAE) since 2015 under Decree No. SK.DIR/161/2015 dated March 17, 2015. Here is a summary profile Chief Audit Executive Internal Audit:

Mustaslimah

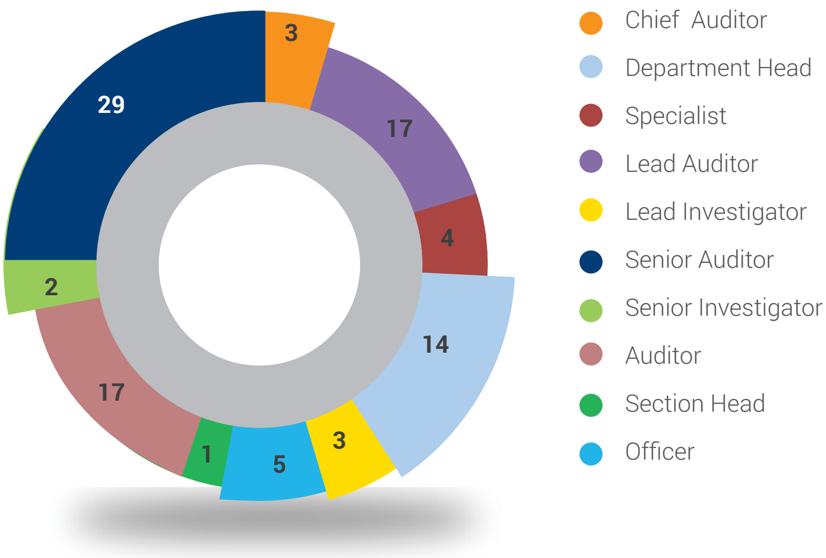
Graduated from the Bogor Agricultural University in 1988. Mrs. Mustaslimah has experience in the field of compliance, procurement, and human capital.

Some positions that had been occupied by Mrs. Mustaslimah include Group Head of Compliance, Group Head Procurement & Fixed Assets and Group Head of Human Capital Services.

The Number and Quality of Internal Auditor

Internal Audit is supported by 95 employees, with the details as shown in the following diagram:

The Composition of Bank Mandiri Internal Audit in 2015



Internal Audit always seeks to provide continuing education for all personnel of the Internal Audit for qualifications and adequate competencies. The education provided in the form of a certified professional education both nationally and internationally, attachment programs and trainings at home and abroad.

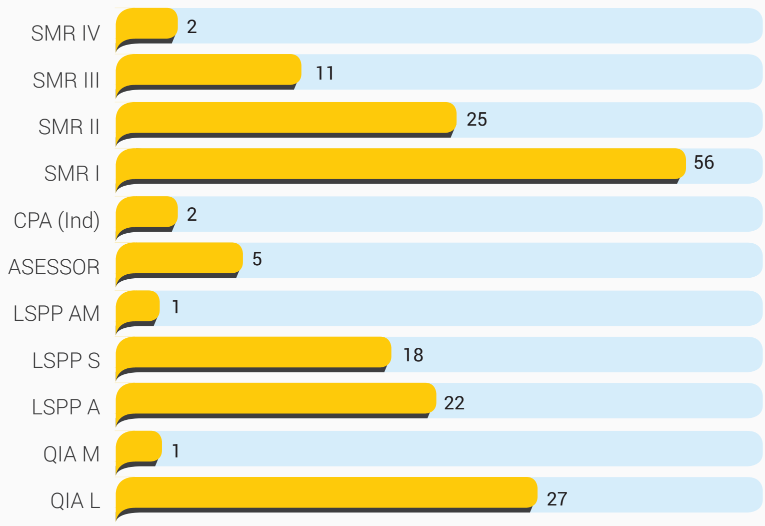
Internal audit assign an auditor qualifications as follows:

1. Having integrity by building confidence (trust), which became the basis for making judgments (judgment) is reliable.
2. Demonstrating a high objectivity in accordance with professional standards in collecting, evaluating, and communicating information about the activity or process being examined.
3. Conducting an assessment (judgment) is balanced (balanced) by taking into account all the relevant circumstances and are not influenced by personal interests or others.
4. Respecting the value and ownership of information received and does not disclose such information without the authorization of the authorities unless there is a legal or professional obligation to disclose such information.
5. Using the knowledge, skills, and experience necessary to carry out the audit assignment.

Internal Audit develops programs to increase the competencies of auditors long term with reference to the Internal Audit Competency Framework (IACF) to ensure appropriate employee development program objectives and as required. IACF is a framework that shows a good level of mastery of the competence of auditors and technical competency behavior that needs to be owned by every level position in Internal Audit. Based IACF assessment done to determine the level of competence of auditors as well as the gap existing competencies. Subsequently created a development program for each auditor. Employee development programs implemented in the various approaches such as: e-learning, training, professional certification national and international, internships/ attachments, and special assignment project. The program is constantly monitored and measured its success in supporting employee performance and organizational performance.

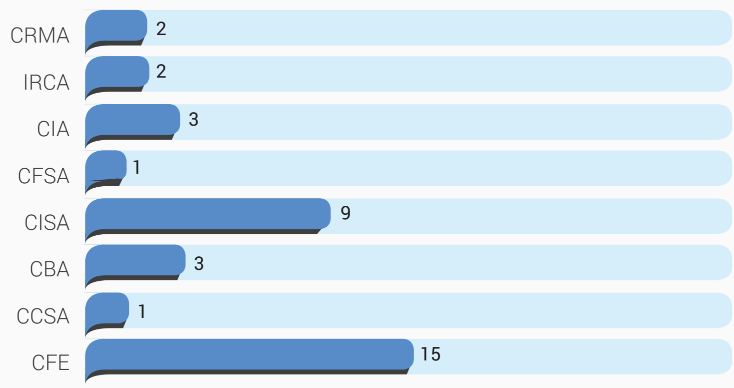
The following data on certification has been obtained by the auditor in the internal audit until the end of 2015 as follows (1 person has more than one certification):

National Certification



Note: SMR (Risk Management Certification), CPA (Certified Public Accountant), QIA (Qualified Internal Audit), LSPP/Banking Profession Certification Institute (certifying the competence of auditors from the level of auditor to assessor).

International Certification



Note: CFSA (Certified Financial Services Auditor), CBA (Certified Bank Auditor), (Certified Fraud Examiner), CRMA (Certification on Risk Management Assurance), CA (Certified Accountant), IRCA (International Register of Certificated Auditor), CIA (Certified Internal Auditor), CISA (Certified Information System Auditor).

Internal Audit Charter

Internal Audit Internal Audit Charter has authorized the Director and the Board of Commissioners with the latest revisions per the December 5, 2014. The Internal Audit Charter is prepared to provide guidance on the purpose, authority, responsibility and scope of internal audit work.

Position, authority and responsibility of Internal Audit (IA) formally defined in the Internal Audit Charter, in accordance with the Audit Standards Internal Bank (SPFAIB) and the Chairman of Capital Market Supervisory Agency and Financial Institution (Bapepam-LK) on the Establishment and Guidelines Internal Audit Charter as well as the best practice standard refers to the IPPF (International Professional Practice Framework) by IIA (the Institute of Internal Auditors).

Scope, Duties and Responsibilities of Internal Audit

The scope of Internal Audit work covers all areas of operation the Bank and subsidiary/affiliates (appropriate governance applicable), to determine the adequacy of internal quality control, the application of risk management and governance processes. Internal Audit helps the organization achieve its objectives through the Internal Audit Activity (assurance and consulting) and Activity Investigation.

Assurance

Objectively testing of the evidence in order to provide an independent assessment on internal control, the application of risk management and governance processes within the organization.

Consulting

Providing advisory services related to the activity of a client (auditee/unit) where the nature and scope agreed with the client and aims to provide added value and improve the internal control, the application of risk management and governance processes, without taking over operational responsibility.

Investigation

Activities collection of evidence by using the technique of investigation on the results of the initial analysis of the indications and/or fraud occurred. Investigation aims to reveal the modus operandi, the causes, the potential losses, actors and other parties involved. Investigations include the acquisition of evidence and statements, report writing, testifying on their findings and follow-up monitoring is required.

The Authority of Internal Audit

1) Conducting internal audit activities of all organizational units within the Bank, its subsidiaries and affiliates which apply the appropriate governance.
2) Communicating directly with the Director, the Board of Commissioners, and/or the Audit Committee.
3) Communicating with external parties including regulators.
4) Holding regular meetings and incidental to the Director, the Board of Commissioners, and/or the Audit Committee.
5) Accessing all information, notes, employee, and including but not limited to accounts/records of employees and resources as well as other matters as may be necessary related to its duties and functions.

Activity investigation into the case/problem on every aspect and element of activities that indicated fraud and breach of code of conduct.

Responsibility of Internal Audit

1) Planning and executing internal audit activities with an emphasis on areas/activities are high risk and evaluate procedures/control system to gain confidence that the Bank's goals and objectives can be achieved in an optimal and sustainable.
2) Conducting investigation, report and make recommendations/conclusions on fraud to the Management.
3) Developing and running programs to evaluate and improve the quality of Internal Audit.
4) Providing recommendations on the audit results and the follow-up and monitor the activity results of the internal audit and investigative activities.
5) Working closely with the Audit Committee in carrying out oversight functions.
6) Coordinating its activities with the activities of the external audit and the units/functions other assurance providers, in order to achieve a comprehensive audit results and optimal. Coordination can be done through periodic meetings to discuss matters of importance to both parties.

Related to the implementation of POJK No. 18/ POJK.03/2014 concerning integrated Governance For conglomeration of Finance, Internal Audit function as an Integrated Internal Audit.

In the implementation of the Internal Audit function as an integrated, duties and responsibilities of Internal Audit Governance refers to the Integrated Guidelines, namely:

a. Monitoring the implementation of internal audit at each of its subsidiaries in the financial conglomerate. In the implementation of its duties the Internal Audit:
    1) Evaluates the internal audit plan audit of subsidiaries in the conglomeration of Finance in the framework of the alignment of the integrated audit plan.
    2) Evaluates the results of internal and external audits of subsidiaries in financial conglomeration its follow-up in the framework of integrated internal audit report preparation.

b. Carrying out audits in subsidiaries in the financial conglomerate either individually, or based on a joint audit of the internal audit reports of subsidiaries in the financial conglomerate.

Internal Audit delivers integrated internal audit reports to the Director/SEVP appointed to conduct oversight of the entire conglomerate of subsidiaries in Finance and Board of Commissioners of Bank Mandiri and Director/SEVP is in charge of the compliance function of Bank Mandiri.

Internal Audit Work Plan

After finishing second transformation in 2014, the bank continues to finalize and reach new targets in 2015. Every achievement has been achieved, even exceeded the target. Each line of the Bank makes innovation, consistency and synergies as a key element in realizing the aspirations of becoming the best financial institution. With the continued transformation of the Bank to the Corporate Plan 2020, the Bank established itself to be the best bank in ASEAN through a reorganization that focuses on expanding the functions and Regional Distribution.

Internal Audit continues to innovate and to use a more comprehensive audit approach. In 2015, Internal Audit has developed a Long Term Plan (RJP) Internal Audit from 2015 to 2020 with the theme "Creating Value Through Sustained Long Term Assurance to be The Best in Class IA Function" with 14 strategic initiatives which will be implemented in the years 2015-Internal Audit Bank Mandiri in 2020 to oversee the implementation of the reorganization to the Corporate Plan 2020.

During 2015, several initiatives that were taken by Internal Audit are:

1. Development of the Internal Audit Charter drafting instructions that apply groupwide
2. Development of methodologies Audit Planning and Closing Process
3. Preparation of Root Cause Analysis methodology
4. Development of Internal Audit Competency Framework
5. Development and implementation of Rating Methodology Control Subsidiary
6. Development of Internal Audit tools consisting of SIMA TR access via the Internet, the implementation of resource management, the data analytic software tools and dashboards.
7. Development of Integrated Risk Library (framework, cleansing & implementation) in collaboration with the Risk Management and Compliance unit, in order to implement GRC in Bank Mandiri

Internal Audit has also established the Annual Audit Plan (AAP) 2015 conducted by the Internal Audit involving all levels and units of other related work, as well as considering other key input is considered significant. Internal Audit also collaborated with the 1st line, 2nd line and Subsidiaries Internal Audit function to ensure the implementation of internal control is effective in Mandiri Group.

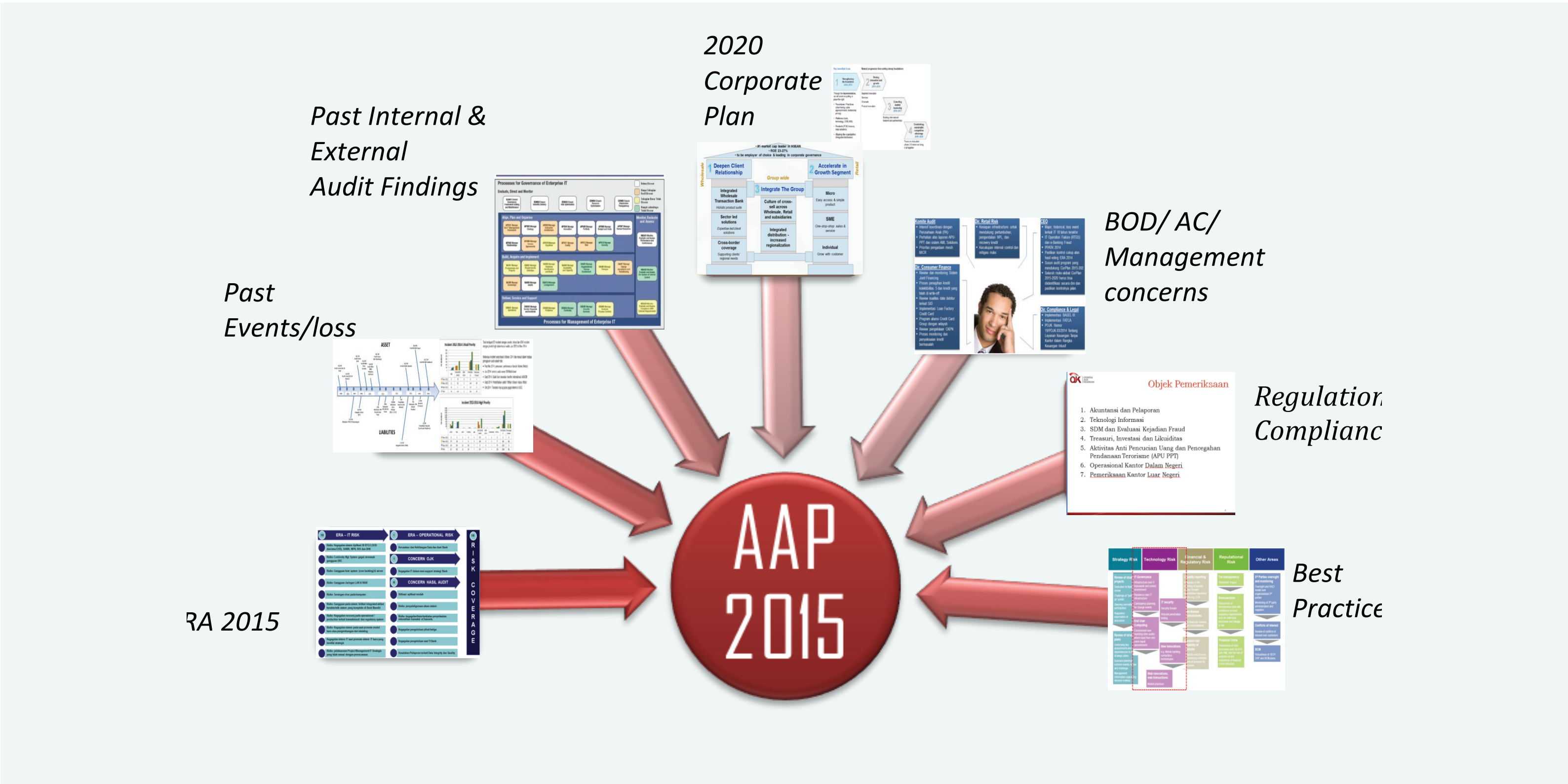
AAP according to 2015 which have been prepared, Internal Audit carry out an audit of the 37 subjects covering all directorates in Bank Mandiri and eight subsidiaries covering Assurance and Consulting, whether conducted by the Internal Audit itself or co-sourced and outsourced to other parties.

AAP 2015 prepared with the theme "Strengthen IA Foundation for Greater Assurance in 2020" to ensure that the first step towards the vision of the transformation of Bank Mandiri in 2020 was followed by the more robust and cultural maturation internal control in every line of defense. With the theme of Internal Audit would like to believe that the bank's business growth is based on the foundation of a solid business and control as well as a solid alliance between units and subsidiaries so as to create sustainable Mandiri Group. Furthermore, Mandiri Group is expected to be more confident entering the continued transformation to become the best bank in ASEAN by 2020.

Bank Mandiri Annual Audit Plan (AAP) 2015 is based on seven key inputs as follows:

1. Results of Enterprise Risk Assessment (ERA) in 2014 for forward looking to 2015.
2. Loss Events: Data on event/loss that is significant during the last three years.
3. Internal and External Findings 2014: Internal and external audit findings are significant previous year.
4. Bank Mandiri Corporate Plan 2020: alignment with long-term plans which are Corporate Plan 2020.
5. Management and Audit Committee Concern of the Board of Directors, Audit Committee and Management of Bank Mandiri.
6. Regulation and Compliance: Compliance with internal and external regulations (Regulation/Compliance).
7. Best Practices: Emerging topics in the banking world today is in accordance with best practices.

Seven key inputs are analyzed through workshops, benchmarking and focus group discussion and then used to determine audit subjects in 2015.



Based on seven key inputs preparation of SAP, Internal Audit has set priorities audit coverage by 2015 as many as 37 subjects of the audit conducted by the activity of Assurance and Consulting with a focus on the following:

- Assurance: focus on an objective test on the evidence to provide an independent assessment of the design and implementation of internal controls, the application of risk management and governance processes for the audit area concerned.
- Consulting: focus on providing added value and improve the internal control, the application of risk management and governance processes without taking over operational responsibility for the audit area concerned.

Division of Internal Audit activity to 37 subjects of audit by the Bank and eight subsidiaries are as follows:

AUDIT ENGAGEMENT			
Bank Mandiri	Assurance:	28 Audit Subjects	Total : 37 Audit Subjects
	Consulting:	8 Audit Subjects	
	Assurance/Consulting:	1 Audit Subject	
Subsidiaries	Assurance:	8 Subsidiaries	
	Consulting:		

In carrying out its duties and responsibilities, Internal Audit liaises with External Auditor. Internal Audit is responsible for coordinating activities with external audit activities. Through such coordination is expected to achieve a comprehensive audit results and optimal. Coordination is done through periodic meetings to discuss matters of importance to both parties.

2015 Audit Report

In an effort to improve the effectiveness and efficiency of the audit, the Internal Audit has implemented Audit Management Information System (SIMA) to ensure the security of information assets of the Bank. It is becoming urgent to mitigate the risk of information leakage given the role of internal audit as an assurance provider that is close to Bank of confidential information. All stages of the audit carried out by SIMA so that the review process can be done remotely. Documenting audit process is reviewed on an ongoing basis by the Quality Assurance to ensure compliance and quality of the audit process is implemented. SIMA is also utilized as a knowledge center for the auditor.

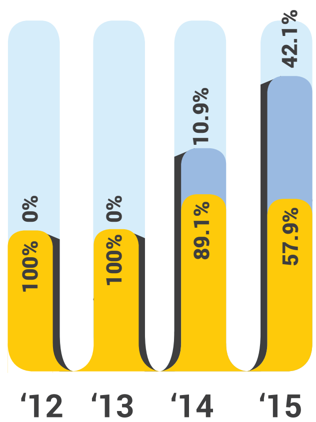
Internal Audit is committed to develop SIMA as part of the development concept implementation of Risk Based Audit in order to facilitate the process of integration and collaboration functions of audit, risk management unit and unit compliance in order to minimize duplication in the implementation of assurance functions.

The audit using SIMA improves efficiency and effectiveness of Internal Audit in achieving the target of an assignment that has been set by the work plan annually. The following is the realization of audit in 2013-2015

The audit using SIMA improves efficiency and effectiveness of Internal Audit in achieving the target of an assignment that has been set by the work plan annually. The following is the realization of audit in 2013-2015:

Type of Assignment	2013			2014			2015		
	Target	Realization	Achievement (%)	Target	Realization	Achievement (%)	Target	Realization	Achievement (%)
Rutin	234	239	101.26 %	12	60	123.6 %	20	20	108.1
Mandatory	13	13		22	22		12	12	
Thematic	3	3		157	158		110	110	
Khusus	68	67		80	95		80	98	

Internal Audit constantly monitors the implementation of the follow-up of audit findings. The following table shows the follow-up status of Internal Audit:



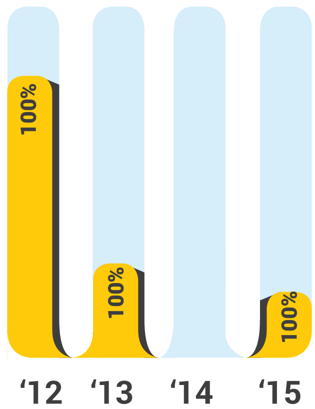
	Completed	In Process
2015	285	207
2014	293	36
2013	188	0
2012	173	0

Completed   In Process

In carrying out its duties and responsibilities, Internal Audit liaises with External Auditor. Internal Audit is responsible for coordinating activities with external audit activities. Through such coordination is expected to achieve a comprehensive audit results and optimal. Coordination is done through periodic meetings to discuss matters of importance to both parties. In addition, the Internal Audit evaluates the performance of the external auditor, especially public accounting firm covering the aspects: the understanding of the issues faced by the Bank, cooperation, communication, experience, expertise, and deliverables (output is given).

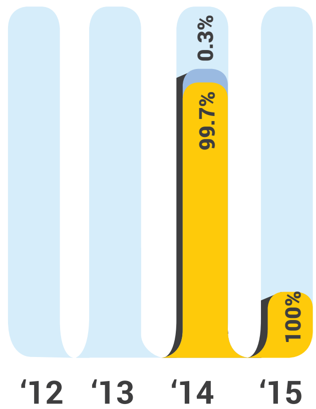
The following table shows the follow-up status of External Audit:

Bank Indonesia



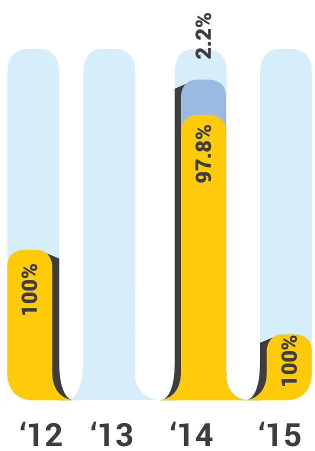
	'12	'13	'14	'15
In Process	0	0	0	0
Completed	541	187	0	45

Financial Service Authority (OJK)



	'12	'13	'14	'15
In Process	0	0	2	0
Completed	0	0	763	146

State Audit Board (BPK)



	'12	'13	'14	'15
In Process	0	0	2	0
Completed	38	0	87	9

Public Accountant

	'12	'13	'14	'15
In Process	0	0	2	0
Completed	41	29	48	0

In addition to be responsible for dealing with external auditors, Internal Audit also has other responsibilities, namely:

1) Corporate Social Responsibility (CSR)

   As part of the CSR and the Spirit for the prosperity of the Interior, Internal Audit actively transfer knowledge in the management of internal audit in particular the application of risk based audit, not only to subsidiaries but also to companies/organizations including Bank BNI, the Ministry of Finance of the Republic of Indonesia-Inspectorate General and also to the regulator is the OJK.

2) Application of Anti-Fraud Strategy (SAF)

   Bank has implemented the Anti-Fraud Strategy as part of the Bank's internal control system, according to Bank Indonesia Circular No. 13/28/DPNP dated December 9, 2011, regarding the Anti-Fraud Strategy Implementation for Commercial Banks. Anti-fraud strategy is a commitment to control the management of the Bank Fraud applied in the form of fraud control system that is part of the Bank's internal control system. Improvements to SAF programs both in Pillar I "Prevention", pillar II "Detection" pillar III "Investigating, Reporting and Sanctions" and pillar IV "Monitoring, Evaluation and Follow-up" continued. Internal Audit as a coordinator in the application of the Anti-Fraud Strategy consistently monitoring the implementation of SAF. With the implementation of SAF is consistently expected to reduce the incidence of fraud.

Whistleblower Reporting Received by Internal Audit

Bank Mandiri implements the whistleblower program "Letter to CEO (LTC)" as part of the Anti-Fraud Strategy, coordinated by the Risk Management Unit. Internal Audit role in following up the letters that go through the LTC program. Besides, Internal Audit also helps socialized LTC programs in conjunction with the audit conducted on site and encourage improvements such as expanded LTC program to a third party (vendor).

Bank's business development continues to increase rapidly and internal fraud also rose but growth may be in the press effectively, as the table below:

Type of Fraud	Number of Events		
	2013	2014	2015
Internal	26	27	33
External	15	12	7
Internal and External	8	13	23
Number	49	52	63

By 2015, there were reports of complaints of violations in through the channel LTC either by phone, email, fax or mail box.

The number of complaints received during 2015 is as follows:

Year	Media			Classification		Report Followed Up	Report Declared Completed
	Surat	Email	Website	Fraud	non Fraud		
2013	33	6	2	11	30	21	10
2014	8	6	0	14	5	1	13
2015	3	4	0	4	3	7	6

Internal frauds have been resolved entirely in the current year. Here is the handling of internal fraud in 2015:

Internal Fraud in 1 Year	Committed by					
	BOC and BOD Members		Permanent Employee		Non-Permanent Employee	
	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year
Total Fraud	-	-	28	22	10	13
Resolved	-	-	28	22	10	13
Ongoing Internal Resolution Process	-	-	-	-	-	-
Haven't Been Resolved	-	-	-	-	-	-
Followed Up Legally	-	-	7	6	1	4

Anti-Fraud Strategy

Bank Mandiri has anti-fraud strategy that is set on each Policies, Standard Operating Procedures, Technical Instructions Operation and other settings were adjusted accordingly. This strategy refers to Bank Indonesia Circular No. 13/28/DPNP dated December 9, 2011 regarding Implementation of Anti-Fraud Strategy for Banks, at every Policies, Standard Operating Procedures, Technical Instructions Operations held to comply with Bank Indonesia regulation in question. It also becomes one part of the improvement of the Bank's Internal Control System Policy, the Anti-Fraud Strategy is formulated by Bank Mandiri, which has been adapted to the provisions of Bank Indonesia.

Adjustments might include things that are stipulated in the Anti-Fraud Strategy Formulation, namely:

1. Prevention Function

   It becomes the responsibility of all employees of Bank (work unit) and is part of the Fraud Control System in order to reduce the potential for fraud.

2. Detection Function

   It becomes the responsibility of the entire unit, both 1st line of defense, 2nd of defense, and the 3rd of defense and is part of the Fraud Control System in order to identify and locate fraud in banking operations.

3. Investigation, Reporting & Sanction Functions

   It is the responsibility of the Directorate of Internal Audit and Control System is part of the fraud in the handling of fraud that occurred through the investigation and the results are reported to the Director, the Board of Commissioners, and Bank Indonesia, including the proposed imposition of sanctions for the perpetrators of fraud.

4. Monitoring, Evaluation & Follow-Up Function

It is the responsibility of the Directorate of Internal Audit and Control System is part of the monitoring of fraud in order to follow up the results of the investigation and evaluation of the incidence of fraud to correct weaknesses and strengthen the Internal Control System in order to prevent the re-occurrence of similar fraud in weakness.

Towards Mandiri 2020

Bank Mandiri has entered a new phase in the struggle to build Indonesia. The new vision of becoming the best bank in ASEAN by 2020 has been implemented. The ambition helped accompanied by changes in the competitive landscape will be ongoing in line with the free market in the banking industry in 2020. This new challenge requires all employees of Bank Mandiri prepare themselves to face global competition.

In connection with its function as the guardian of the achievement of the vision of Mandiri in 2020, the Internal Audit helped prepare for the challenges that move dynamically. Internal Audit has developed a Long Term Plan 2015-2020 which is aligned with Bank Mandiri Corporate Plan 2015-2020, IA Global Best Practice and Regulatory views and the results of the Quality Assurance Review of Internal Audit in 2014.

Roadmap Internal Audit in safeguarding the achievement of the vision of New Horizon 2020 has been organized in four phases:

Building Foundation: Improvement on key IA practices

Extending the foundational IA practices

Increase synergies and sharing across the group resulting in exceptional IA'squality

Creating long term value through sustained ***assurance***

With long experience and a commitment to continuous learning, Internal Audit has confidence to successfully achieve Mandiri 2020 vision.