

- b. Implementation of control over the computer system and its security (general controls) as well as control over software applications and other manual procedures (application controls);
- c. As part of the recording or bookkeeping process, the information system must be supported by a good accounting system including the establishment of transaction recording procedures and retention schedules.
- 8. One of the objectives of the Internal Control System was to ensure the availability of more accurate, complete, timely and relevant reports in order to make a decision by the Management.

The Company's Accounting System fulfilled the following matters:

- 1. The Company had written accounting policies complying with generally accepted accounting principles.
- 2. The Company's Accounting System included methods and records in order to identify, classify, analyze, categorize, record/book and report all transactions and activities of the Company.
- 3. The Accounting System must be applied consistently and persistently to all transactions of the Company.
- 4. The Company was required to reconcile the accounting data with the management information system every month. The results of reconciliation were documented in an orderly manner.
- 5. Each Work Unit that had responsibility for recording every transaction shall record transactions promptly, carefully and thoroughly, and conduct the process of control and monitoring to:
 - a. Ensure that every transaction had been booked in accordance with the proper ledger;
 - b. make sure that every ledger had been in line with the details; and
 - c. settle outstanding account (s) into the ledger (temporary account) immediately;
 - d. so as to give an idea of the actual condition and performance of the Company.
- 6. Each Work Unit that using forms or working papers must use standardized forms or papers and contain appropriate safeguard elements supported by adequate documentation.

Monitoring Activities and Deviation Correction Action

- 1. Management conducted on-going monitoring of the overall implementation effectiveness of the Internal Control System including but not limited to the effectiveness and safety of the use of information technology.
- 2. The Board of Commissioners ensured that the Management had monitored the implementation effectiveness of the

Internal Control System and ensured that the Management had monitored the effectiveness and safety of the use of information technology.

- 3. Monitoring of the Company's key risks was prioritized and served as part of daily activities including regular evaluations, by the Work Unit, the Compliance Group, the Risk Management Group and the Internal Audit.
- 4. The relevant work units monitored the adequacy of the Internal Control System continuously in relation to changes in internal and external conditions and increased the capacity of the Internal Control System in order to improve its effectiveness.

Weaknesses in the Internal Control System, whether identified by the Risk taking Unit, Internal Audit or any other party, were immediately reported to the Management. Weaknesses of a material internal control system were also reported to the Board of Commissioners.

Conformity of Internal Control with The Framework of The Committee of Sponsoring Organizations of The Treadway Commission (COSO)

The internal control system of Bank Mandiri complied with the Internal Control Integrated Framework developed by The Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 2013. Internal control objectives under COSO included operational objectives, reporting objectives and compliance objectives.

Operational objectives related to the effectiveness of operating efficiency. The reporting objective related to the interests of financial reporting meeting the reliable, timely, transparent criteria and other requirements stipulated by the regulator and the Company. While the compliance objective related to the Company's compliance with laws and regulations. Internal Control System consisted of 8 components that were mutually related to each other and determined the effectiveness of its application, namely:

Internal Environment

Internal environment became the basis for the Management in assessing risk and control as well as how to respond. It was the basis and the driving factor for the operation of the other seven components of the Internal Control System.

In its implementation, effective Internal Environment was reflected in the stipulation of written authorization/approval policies and procedures set forth in the policy architecture of Bank Mandiri, and standard of employee recruitment emphasizing on educational