Audit During Covid-19

Joint Workshop
November, 25th 2020
Agenda

01  Background

02  Remote Audit During Covid-19

03  Audit Cycle

04  Audit Statistic
An integrated electronic platform that supports securities transaction settlement activities by book-entry. The system is designed to support the growth of the Indonesian Capital Market.

**Overview KSEI Service**

- **S-INVEST Users** (Integrated Investment Management System)
  - Integrated electronic system or facility which integrates the entire Order Routing Transaction process, Post Trade Processing Transaction, and reporting in the investment management industry.

- **C-BEST Users** (The Central Depository and Book Entry Settlement System)
  - Integrated electronic platform that supports securities transaction settlement activities by book-entry. The system is designed to support the growth of the Indonesian Capital Market.

**Users**
- **Securities Company**: 105
- **Custodian Bank**: 22
- **Investment Manager**: 98
- **Selling Agent**: 65
COVID-19 PANDEMIC
Ensuring Members complies with KSEI regulations and related regulations.

During COVID-19 pandemic, the fieldwork can not be executed as usual due to social distancing regulation by the government.
Remote Audit
In line with KSEI regulation number VII about Inspection. Audit process is including:

• searching
• collecting
• interviewing
• requesting information
• preparing copies and processing data
• examining the compliance of Service users
• verifying and/or indicating whether there is any violation against the Regulation or not

Comparison fieldwork and remote audit:
Normal on site audit activity:
• Audit program
• Audit timeline (from the pull out date till report released still the same → 30 working days)
• Audit team

Activity adopted during remote audit:
• Extended audit time (3 days to 5 days)

Remote Audit Method

The method of conducting an audit remotely, using electronic methods.

- video conference
- email
- telephone
- Paperless documents
- Recording
Remote Audit Challenges

- Direct observation is irreplaceable
- Difficult to establish a relationship with the auditee
- Lack of direct personal interaction opens up opportunities for fraud
- Documents validity
- Documents submission takes a long time
- Re-arrange the audit schedule
Audit Process

Assess the compliance of services users according to KSEI's regulations

Determine the risk profile of services user related to compliance activities

Arrange audit timeline and audit program

Conduct Regular & Non Regular (ad-hoc) Audit

Conduct an audit policy review

Collaborate with the legal team and other related team, concerning imposition of sanctions based on audit report
Audit Type and Initial Remote Audit

- **Regular**: Annual examination determined by the risk profile of each KSEI members.

- **Ad-Hoc**: Special audit based on agreed upon procedures.

KSEI started the remote audit since June 2020. The remote audit started with Ad-Hoc audit to the custodian bank due to cases, regarding differences in Net Asset Value (NAV) for several funds.

Based on the Ad-Hoc result, KSEI has conducted regular remote audits, so far there have been no obstacles or constraints.
AUDIT CYCLE
Regular Audit Flow

1. Preparation
   - Proposing for audit fieldwork, notification letter to auditee for audit, and assignment letter

2. Planning
   - Determining Risk Profile
   - Presenting to BoD
   - Proposing for approval of BoD regarding audit plan

3. Reporting
   - List of confirmed audit findings
   - Responses from Auditees
   - Report of audit result

4. Execution
   - Audit execution
     (+/- for 3 business days for the fieldwork itself)

5. Follow Up
   - 3 months of reminder
   - Imposition of sanctions

RISK PROFILE
Ad-Hoc Audit Flow

01 Planning
Indication/ facts/ information of any unusual activity/ violence against the regulation.

02 Planning
Internal discussion and raise to BODs

03 Executing
Perform an ad-hoc audit (if needed)

04 Reporting
Release the audit report
Remote Audit 2020

Ad-Hoc Audit
- Custodian Bank: 6
  - Open findings (6): 32%
  - Closed findings (9): 90%
- Securities Companies: 2
  - Open findings (1): 10%
  - Closed findings (13): 68%

Regular Audit
- Securities Companies: 8
  - Open findings (32): 41%
  - Closed findings (46): 39%
- Investment Manager: 2
  - Open findings (1): 7%
  - Closed findings (14): 93%

On going
- Securities Companies: 6

Scheduled plan
- Securities Companies: 2
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