

The Impact of GCG, Internal Audit Eliminates Corruption and Improves Performance Company 2024



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I. INTRODUCTION

State performance and company performance will be better if corruption can be eliminated by implementing GCG and Internal Audit. The phenomenon of corruption has become entrenched, many public officials have been arrested and imprisoned for corruption cases by the Corruption Eradication Commission (KPK) and other law enforcement officials (Attorney General and Police). Even the chairman of the Corruption Eradication Commission (Firly Bahuri) was deactivated and questioned by the police over the alleged extortion case of the former Minister of Agriculture (Yasin Syahrul Limpo). In this context, we are interested in discussing the impact of GCG and Internal Audit on reducing corruption and improving performance.

10 most corrupt countries in the world 2023. (Transparency.org).

No.	COUNTRY.	CPI SCORE.
1.	SOMALIA.	11
2.	SYRIA.	13
3.	SOUTH SUDAN.	13
4.	VENEZUELA.	13
5.	YEMEN.	16
6.	NORTH KOREA.	17
7.	NICARAGUA.	17
8.	HAITI.	17
9.	EQUATORIAL GUINEA.	17
10.	TURKMENISTAN.	18

The CPI rates countries based on the perceived level of corruption in the public sector. According to the 2023 CPI, Indonesia received a score of 34 on a 0-100 assessment scale. This figure shows that corruption in Indonesia is still very high compared to the global average which is only 43. With this score, Indonesia is ranked 65th worst in terms of corruption out of a total of 180 countries assessed. (detik.com)

The following is a list of criminal acts of corruption based on profession or position in the period 2003-2024:

NO.	PROFESSION.	CASES.
1.	PRIVATE.	430
2.	DPR and DPRD members.	344
3.	OTHERS.	222
4.	MAYOR/REGENT and DEPUTY MAYOR.	163
5.	HEADS OF <u>Institutions</u> / Ministers.	39
6.	JUDGES.	31
7.	GOVERNOR.	25
8.	LAWYERS.	18
9.	PROSECUTORS.	13
10.	COMMISSIONERS.	8
11.	CORPORATIONS.	8
12.	POLICE.	5

(Kompas.com)

The Problem Statement:

1. Can GCG suppress corruption and improve company performance?
2. Can Internal Audit suppress Corruption and improve Company Performance.

II. THEORITICAL REVIEW

1. Good Corporate Government (GCG).

Good Corporate Governance (GCG) or what we know as good corporate governance is that company department's work together to ensure the success of the company, improve standards based on the code of ethics and ensure the company's commitment to creating value for shareholders in the long term, while still paying attention to the interests of other stakeholders. The methods and structure used by the company organization consist of the GMS, Commissioners, Directors and capital owners.

The meaning of GCG according to BUMN Ministerial Regulation No. 01 of 2011 dated 1 August 2011 concerning GCG in State-Owned Enterprises (BUMN), the implementation of Good Corporate Governance (GCG) requires 5 basic principles, namely transparency, accountability, responsibility, independence. And fairness. If the processes and mechanisms are implemented well, company management will run healthily (Regulation of the Minister of State-Owned Enterprises (BUMN) No: PER-01/MBU/2011,

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2011). Good Corporate Governance (GCG) is an interesting topic in the current technological era. This is because it requires organizations to be more efficient and to perform their tasks more effectively. Good Corporate Governance (GCG) is governance Good company based on laws and regulations, and the principles of transparency, accountability, responsibility, independence and impartiality from the definition above it can be concluded that good corporate governance is:

- 1) Structure that regulates a reasonable relationship pattern with the board of commissioners, Directors, shareholders and other stakeholders
- 2) A system that checks and balances authority over management Company. This limits two possibilities: mismanagement and misuse of assets
- 3) A transparent process for determining company goals, results and objectives measure its performance.

Goals and Benefits of Corporate Governance.

According to Sutojo and Aldridge (2005:5), there are five main types of goals. The five objectives are as follows:

- 1) Protecting the rights and interests of shareholders
- 2) Increase company and shareholder value
- 3) Increase the efficiency and effectiveness of the board of directors' work and the value of governance Company.
- 4) Protect the rights and interests of other stakeholders as shareholders
- 5) as well as improving the quality of relations between the company's board of directors and senior management.

According to Pegadaian's Good Corporate Governance (GCG Code) Guidelines (2017:1416)

The spirit of implementing Good Corporate Governance (GCG) within the company is reflected in the GCG principles that are accommodated in the implementation

The company's daily business activities, in this case consist of the following elements

Following:

1) Transparency

The principle of transparency is openness in carrying out the collection process decisions, presenting material and relevant information regarding the company as well comply with all applicable laws and regulations that have been regulated regarding the issue of information disclosure.

2) Accountability

The principle of accountability is clarity of mission, implementation and responsibility company organization so that company management runs effectively. Accountability refers to fulfilling the obligations and authority of an individual or body to fulfill the responsibilities assigned to the company. This accountability includes explanation or implementation of obligations and authority, reporting on the implementation of obligations and authority, and accountability for activities that carry out obligations and authority.

3) Accountability.

The principle of responsibility is company management's compliance with applicable laws and regulations as well as good business practices and in accordance with GCG principles.

4) Independence

The principle of independence is the condition that the company is managed professionally, does not have conflicts of interest or pressure from other parties, and does not comply with applicable laws and regulations and good business practices.

5) Fairness

The principle of fairness is fairness and equality in upholding stakeholder rights arising from agreements and applicable laws and regulations.

Provide information to evaluate the success of the company's own internal control system and also evaluate company organization so that company management runs effectively. Accountability refers to fulfilling the obligations and authority of an individual or body to fulfill the responsibilities assigned to the company. This accountability includes explanation or implementation of obligations and authority, reporting on the implementation of obligations and authority, and accountability for activities that carry out obligations and authority.

2. Internal Audit

Internal Audit Internal audit is an independent evaluator in assessing the company's internal affairs, whose task is to test, assess and evaluate various company activities. Meanwhile, referring to the Internal Audit Professional Standards of the Institute of Internal Auditors (2017) which states that internal audit can be interpreted as follows: "Internal audit is an independent evaluation function established within an organization to examine and evaluate services to the organization. " The role of the independent

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reviewer in an institution or organization to evaluate and approve it as a type of service to the organization. The internal audit process has the responsibility and audit authority to provide information to evaluate the success of the company's own internal control system and also evaluate

In an effort to maintain the company's assets and performance, as well as comply with statutory regulations, the board of directors needs to develop and implement a good internal control system. The internal supervision function is tasked with assisting the board of directors in ensuring the achievement of goals and business continuity by:

- 1) Carry out an assessment of the company program
- 2) Provide suggestions to improve the effectiveness of the risk control process
- 3) Carry out compliance assessments with company regulations, implementation
- 4) GCG & legislation
- 5) The audit program is facilitated by an external audit for the smooth running of the program

2.3. Internal Audit Function

In Cahyani's research (2020:108), according to the International of Internal Auditors (IIA), the function of internal audit in companies is as follows:

- 1) Helps in protecting assets and minimizing the possibility of fraud.
- 2) Increase efficiency and effectiveness in company operations.
- 3) Increase the reliability and integrity of the company's finances.
- 4) Ensure compliance with laws and regulations
- 5) Establish monitoring procedures.

Internal Audit Work Cycle

In general, the main internal audit cycle can be divided into 4 major stages research (Agum, 2019:19) mentions "P-E-D-E Audit" namely:

- 1) PLAN: audit plan (audit "plan") This is an effort to translate the company's strategy/business and provide feedback. From an internal audit perspective, namely risk mapping, management, and audit strategy decisions to audit program makers.
- 2) DO: audit implementation (audit "execution") Is the implementation of an audit plan, either periodically (continuous audit) or on the basis of a special investigation or request from a certain party (especially audit). Both are carried out synchronously between indirect monitoring (on-site audit) and direct monitoring (on-site audit). With the audit underway, developing the audit database is also an important part of this phase
- 3) CHECK: presentation of audit results (audit "deliverables") This is presenting the audit results ("audit product") audit (audit report) to the auditee and interested parties. Auditees must respond to both confirmation of findings and reporting of audit results as a re-verification function.
- 4) ACT: review of audit results (audit "evaluation")

3. Corruption

Corruption is the act of someone knowingly and deliberately opposing and breaking the law by misusing public money for their own interests. Corruption itself has actually been rampant since the Dutch colonial era, where native officials were given money by the colonial government to provide wages to workers but ultimately took it for personal gain. Even though in Indonesia itself, Sudan's corruption practices are better than during the New Order, based on the data index obtained, it shows that corruption cases in Indonesia are still stagnant in the thirties and have worsened, especially since the recent pandemic. The worsening of corruption cases in Indonesia cannot be separated from internal factors in the form of greed, consumer lifestyle, and low education and morals. Apart from internal factors, there are external factors in the form of social aspects, political aspects, legal aspects, economic aspects and organizational aspects. After finding out the cause, the Corruption Eradication Commission (KPK), which is the institution that handles corruption cases, formulated three methods called the three tridents, which consist of the principle of prosecution, the principle of prevention, and the principle of education. In the end, cooperation from various parties is needed to create a comprehensive strategy to eradicate corruption

According to the ACFE Association of Certified Fraud Examiners (2020) Fraud is an unlawful act carried out intentionally for a specific purpose. There is a fraud tree, namely a. Corruption, b. Mis Asset Appropriation. c. Financial Fraudulence.

In accordance with Article 2 of Law Number 31 of 1999, corruption is an unlawful act with the intention of enriching oneself or other people, both individuals and corporations, which can harm state finances/the state economy.

In accordance with Law Number 31 of 1999 in conjunction with Law Number 20 of 2001, criminal acts of corruption can be categorized into 7 types, namely detrimental to state finances, bribery, extortion, embezzlement in office, fraudulent acts, conflicts of interest in procurement and gratification.

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According to Cressey (1953), Triangle Theory, there are three factors that make someone commit corruption, namely:

- 1) Pressure (pressure)
- 2) Opportunity (opportunity)
- 3) Rationalization (rationalization)

According to Jack Bologne Gone Theory (1999), the factors causing corruption are **greed, opportunity, need and disclosure**.

The Fraud Hexagon Theory is a theory developed by Vousinas (2019), where the collusion factor is added as one of the factors in the occurrence of fraud in financial statements.

4. Company Performance

Company performance is a view of the overall condition of the company during a certain period of time, and is a result or achievement that is influenced by activities company operations in utilizing the resources they have. (Galib & Hidayat, 2018). Company performance can help the company in evaluating long-term goals and strategies. Information about how well company performance can be seen in the company's financial reports that appear every time certain period (Nurhidayanti et al., 2023).

Company performance is the work result that can be achieved by a person or group of people in a company in accordance with their respective authority and responsibilities in an effort to achieve company goals legally, and does not violate the law, and does not conflict with morals and ethics. (google 2024)

Performance is the quality and quantity of work results that have been achieved by an employee or employees in carrying out their duties in accordance with the responsibilities that have been given to them. What is meant by quality here is seen in terms of cleanliness, smoothness and thoroughness in carrying out one's duties and work. Meanwhile, what is meant by quantity is seen from the large amount of work that must be completed by the employee or employees (Mangkunegara, 2001:67).

Company performance is the work result that can be achieved by a person or group of people in a company in accordance with their respective authority and responsibilities in an effort to achieve company goals legally, and does not violate the law, and does not conflict with morals and ethics. (Rivai & Basri, 2004:16). Currently, Company Performance uses the Balance Score Card (BSC) which is a framework that can be used by all types of companies to monitor their business performance.

- 1) Financial Perspective, ROI, ROE value 50%.
- 2) Customer perspective, number of customers is 25%
- 3) Internal Process Perspective, productivity and service quality, (15%)
- 4) Growth and Learning Perspective, regarding the quality of human resources (10%)

III. METHODOLOGY

The existing study method is descriptive qualitative, paying attention to existing phenomena, literature review, previous research, analysis, triangulation, discussion, conclusions and suggestions are drawn.

IV. DISCUSSION

1. Impact of GCG on Corruption and Company Performance. If the implementation of GCG is functioning well according to the rules, the GCG Organs of Shareholders, Board of Commissioners, Independent Commissioners, Audit Committee, Risk Committee, Investment Committee, Board of Directors, Independent Directors, Corporate Secretary implement the existing regulations and soups. If the GCG organs implement the principles GCG in carrying out good company management regarding transparency, accountability, responsibility, independence and fairness, it is hoped that corruption will be eliminated and reduced. If corruption can be reduced and eliminated, the company's performance will improve and become even better.

2. Impact of Internal Audit on Corruption and Company Performance. If Internal Audit runs well and functions well then corruption can be eliminated and reduced. If corruption is reduced, the company's performance will be better, it will increase.

3. Impact of GCG and Internal Audit on Corruption and Company Performance. If the implementation of GCG and Internal Audit is better, corruption will be eliminated to a greater extent, then the Company's performance will be even better.

IV. CONCLUSIONS AND RECOMMENDATIONS

A. Conclusion

1. The better implementation of GCG will be able to reduce corruption and improve company performance.
2. The better implementation of Internal Audit can reduce Corruption and improve Company Performance.
3. The better implementation of GCG and Internal Audit will be able to reduce, eliminate Corruption and improve Company Performance.

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B. RECOMMENDATIONS

More in-depth research can be carried out both quantitatively and qualitatively with research objects and larger samples.

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