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The Impact of Risk Management, Independent Commissioners, The Audit Committee, And the Internal Audit Unit on Corruption at Pt Garuda Indonesia

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ABSTRACT: This study aims to examine and analyze the impact of Risk Management, Independent Commissioners, the Audit Committee, and the Internal Audit Unit on corruption at PT Garuda Indonesia. The research employs a qualitative method, involving 25 students from STIE YAI Jakarta as participants. The findings indicate that Risk Management, Independent Commissioners, the Audit Committee, and the Internal Audit Unit have a positive impact on reducing corruption at PT Garuda Indonesia.

KEYWORDS: Independent Commissioners, Audit Committee, Internal Audit Unit, Risk Management, and Corruption.

I. INTRODUCTION

The case involving PT Garuda Indonesia (Persero) Tbk encompasses two major issues that gained public attention: the manipulation of financial statements for the 2018 fiscal year (a capital market/accounting violation) and allegations of corruption.

1. Manipulation of 2018 Financial Statements (The Mahata Scandal)

Background: In its Annual Financial Statements for the period ending December 31, 2018, Garuda Indonesia reported a net profit of USD 5.01 million—a stark contrast to its previous financial condition, which had shown losses.

Method of Fraud: This profit was artificially inflated by recording long-term receivables from a partnership with PT Mahata Aero Teknologi for the provision of in-flight Wi-Fi connectivity services, valued at USD 239.94 million. This amount was recognized immediately as revenue, even though Mahata had not yet made any payments. Had the value of the Mahata contract not been recognized, Garuda would have actually incurred a net loss of USD 244.96 million.

Objection by Commissioners: Two of Garuda's commissioners at the time (Chairal Tanjung and Dony Oskaria) refused to sign the financial statements, citing irregularities and the presentation of misleading information.

Sanctions Imposed (June 2019):

1) The OJK (Financial Services Authority): Issued a written directive to Garuda to correct and restate its 2018 financial statements. Additionally, it imposed an administrative fine of IDR 100 million on PT Garuda Indonesia Tbk, a fine of IDR 100 million on each member of the Board of Directors, and a joint and several fine of IDR 100 million on the members of the Board of Directors and the Board of Commissioners who... 2)Indonesia Stock Exchange (IDX): Imposed an additional fine of IDR 250 million on Garuda.

3)Ministry of Finance (PPPK): Suspended the licenses of Public Accountant Kasner Sirumapea and the public accounting firm (KAP) Tanubrata, Sutanto, Fahmi, Bambang & Rekan for 12 months.

2. Aircraft Procurement Corruption Case

• Background: The Attorney General's Office (AGO) of the Republic of Indonesia investigated an alleged corruption case involving the procurement and acquisition of aircraft at PT Garuda Indonesia. Specific cases under scrutiny: The procurement of CRJ-1000 aircraft and the acquisition/leasing of ATR 72-600 aircraft.

State Losses: According to audit results, the state losses incurred from this aircraft procurement corruption case reached IDR 8.8 trillion. The cost of leasing the aircraft—which exceeded their economic value—severely strained the company's financial condition, bringing it to the brink of bankruptcy. Key Suspect: Former President Director of PT Garuda Indonesia, Emirsyah Satar,

was named a suspect by the Attorney General's Office, alongside a private-sector associate (Sutniko Sudarjo). Emirsyah Satar had previously been implicated in a separate bribery case concerning aircraft engine procurement, which was handled by the Corruption Eradication Commission (KPK). He was subsequently sentenced to 10 years in prison by the Jakarta High Court for his role in the corruption surrounding the procurement of CRJ-1000 and ATR 72-600 aircraft. In a press conference held jointly with the Financial Services Authority (OJK) yesterday (June 28, 2019), the Ministry of Finance announced sanctions imposed on public accountant Kasner Sirumapea and the public accounting firm (KAP) Tanubrata, Sutanto, Fahmi, Bambang & Rekan, following audit errors in the 2018 financial statements of PT Garuda Indonesia Tbk.

Garuda's annual financial statements were deemed flawed after it was discovered that the company had recognized revenue from a partnership with PT Mahata Aero Teknologi—revenue based on payments to be received by Garuda following the signing of the agreement—which consequently affected Garuda's income statement. In light of this, two of Garuda's commissioners declined to sign the 2018 financial statements.

The Ministry of Finance, through its Center for the Development of Financial Professions, subsequently conducted an investigation into public accountant Kasner Sirumapea and the firm Tanubrata, Sutanto, Fahmi, Bambang & Rekan (a member of the international audit network BDO), both of whom were responsible for auditing the 2018 financial statements of PT Garuda Indonesia Tbk.

The examination revealed two significant issues concerning audit standards and the quality control system of the Public Accounting Firm (KAP).

The Ministry of Finance found that the auditor from the firm had violated the Audit Standards (SA)—part of the Professional Standards for Public Accountants (SPAP)—specifically SA 315, SA 500, and SA 560. These violations affected the opinion expressed in the Independent Auditor's Report (LAI).

SA 315 governs the identification and assessment of the risks of material misstatement through an understanding of the entity and its environment; SA 500 concerns audit evidence; and SA 560 addresses how an auditor should consider subsequent events during an audit.

The second issue is that the firm in question had not optimally implemented its quality control system, particularly regarding consultations with external parties. "Together with the Center for Financial Profession Development team, we have decided to impose a 12-month suspension of the license of Public Accountant Kasner Sirumapea. We have also issued a written warning to the firm—Tanubrata, Sutanto, Fahmi, Bambang & Rekan—requiring them to improve their quality control system," stated the Secretary-General of the Ministry of Finance, Hadiyanto. On the same occasion, Fakhri Hilmi, Deputy Commissioner for Capital Market Supervision II at the Financial Services Authority (OJK), announced, "The Financial Services Authority has summoned Public Accountant Kasner Sirumapea and imposed an administrative sanction in the form of a one-year suspension of his Registered Accountant Certificate (STTD)." The sanctions were imposed due to violations of Article 69 of Law Number 8 of 1995 concerning Capital Markets—which stipulates that financial statements submitted to the capital market authority must be prepared in accordance with generally accepted accounting standards—as well as OJK Regulation Number 13/POJK.03/2017 regarding the Use of Public Accountant Services and Public Accounting Firms in Financial Services Activities. Furthermore, the violations pertain to Auditing Standards (SA) 315, 500, 560, and 700, which govern the formulation of an audit opinion and the reporting on financial statements.

The OJK issued a written directive to PT Garuda Indonesia Tbk to rectify and restate its annual financial statements for the 2018 fiscal year, and imposed an administrative sanction in the form of a IDR 100 million fine. Additionally, a fine of IDR 100 million was imposed on each member of Garuda's Board of Directors, while a collective (joint and several) fine of IDR 100 million was levied against all members of the Board of Directors and the Board of Commissioners who signed the 2018 Annual Report of PT Garuda Indonesia Tbk. This case warrants an examination of the implementation of risk management, the role of independent commissioners, the Audit Committee, and the Internal Audit unit in eliminating corruption at PT Garuda Indonesia.

II. THEORETICAL FRAMEWORK.

1. Risk management is a structured and systematic approach or process for identifying, analyzing, evaluating, controlling, and monitoring risks in order to protect assets and achieve organizational objectives. Definition and Purpose: Risk management is conducted to manage uncertainty, minimizing negative impacts while simultaneously creating strategic opportunities. Primary Objectives of Risk Management:

1) Protecting assets and reducing losses.

2) Enhancing safety and regulatory compliance.

3) Maintaining operational stability and organizational reputation.

4) Supporting higher-quality decision-making.

Reduce/Mitigation (Reduce): Lowering the likelihood or impact of a risk.

o Transfer/Share (Transfer): Shifting the risk to another party (e.g., through insurance).

o Accept (Accept): Accepting the risk if its impact is minor or the cost of mitigation is too high.

2. Implementation: Executing the chosen risk-handling plan. [1]

3. Monitoring & Review: Continuously overseeing the effectiveness of risk controls.

Stages of the Risk Management Process

Based on general standards (such as ISO 31000 and common business/governmental practices), the risk management process includes:

1) Risk Identification: Discovering and recognizing potential events, threats, or sources of risk that could hinder the achievement of objectives.

2) Risk Analysis: Assessing the level of probability (likelihood) and impact (consequences) of a risk.

3) Risk Evaluation: Mapping and comparing the results of the analysis to determine priorities for risk handling.

4) Strategy Development (Mitigation): Determining how to respond to risks, which is generally categorized as follows:

a) Avoid: Stopping the activity that causes the risk.

b) Reduce/Mitigate: Lowering the likelihood or impact of a risk.

c) Transfer/Share: Shifting the risk to another party (e.g., through insurance).

d) Accept: Acknowledging and accepting the risk if its impact is minor or the cost of mitigation is too high.

Risks within an organization or business are often classified into several areas:

1) Operational: Disruptions to work processes, systems, or human resources.

2) Financial: Market fluctuations, liquidity issues, or financial losses.

3) Legal and Compliance: Violations of laws and regulations.

4) Reputational: A decline in public or stakeholder trust.

5) Strategic: Failure to adapt to changes in the business environment.

2. Independent Commissioner. An Independent Commissioner is a member of the Board of Commissioners from outside the company who has no financial, managerial, shareholding, or familial ties to the Board of Directors, other members of the Board of Commissioners, or controlling shareholders.

Key Criteria:

1) Not an insider: Must come from outside the issuer or public company (an independent party).

2) Free from affiliation: Must not have any business, financial, or familial relationships that could compromise their ability to act independently and objectively.

3) Integrity and competence requirements: Must possess the necessary expertise (including an understanding of capital market law or finance) and be selected through the General Meeting of Shareholders (GMS).

4)

Duties and Responsibilities

1) Objective Oversight: Neutrally supervise the management policies and the company's operational activities as conducted by the Board of Directors.

2) Protection of Minority Shareholders: Ensure that company policies do not disadvantage minority shareholders and monitor transactions involving conflicts of interest.

3) Advisory Role: Provide input to the Board of Directors regarding business strategy, risk management, and the implementation of Good Corporate Governance (GCG).

4) Review of Financial Statements: Ensure that financial statements are prepared in accordance with applicable accounting standards (often also serving as the Chair of the Audit Committee, in accordance with Financial Services Authority / OJK regulations).

3. Audit Committee. The Audit Committee is a committee established by and accountable to the Board of Commissioners, tasked with assisting in the oversight function within the framework of Good Corporate Governance (GCG).

A. Key Duties and Responsibilities

1) Financial Reporting: Reviewing financial information and reports to be issued by the Company.

2) Internal Control: Monitoring and evaluating the effectiveness of the company's internal control system.

3) Internal & External Audit: Overseeing the work of internal auditors and providing recommendations regarding the appointment and evaluation of external auditors.

4) Risk Management: Encouraging and reviewing the implementation of risk management within the company.

5) Compliance: Monitoring the level of compliance with applicable laws and regulations, including those related to the capital market.

Structure and Membership (Based on OJK Regulation [POJK] No. 55/POJK.04/2015)

1) Number of Members: At least 3 (three) members.

2) 4. Internal Audit Unit. An Internal Audit Unit (IAU)—or *Satuan Pengawasan Intern* (SPI) in Indonesian—is a work unit or supporting body within a company, government agency, state-owned enterprise (SOE), or higher education institution, tasked with conducting internal oversight in an independent and objective manner. Key Duties and Functions:

3) 1) Oversight & Auditing: Conducting operational, financial, and compliance audits, as well as investigative audits of work units.

4) 2) Risk Management: Evaluating the effectiveness of risk management implementation within the organization.

5) 3) Internal Control: Assessing the efficiency and effectiveness of internal control systems (such as the Internal Control System for Government Administration/SPIP or Good Corporate Governance frameworks).

6) 4) Strategic Recommendations: Providing advice for improvements and monitoring follow-up actions based on audit findings for management or the Board of Directors.

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8) 5. Corruption. Corruption is the abuse of authority, opportunity, or resources—derived from one's office or position—to enrich oneself, others, or a corporation, thereby causing losses to state finances or the national economy. In general, corruption encompasses various forms of the misuse of power for personal or group gain. Legal Framework in Indonesia

9) In Indonesia, the primary regulations concerning corruption are set forth in Law Number 31 of 1999 on the Eradication of Corruption Crimes, as amended by Law Number 20 of 2001, as well as provisions within the Criminal Code (KUHP).

10) 7 Main Categories of Corruption

11) Under Indonesian legislation, corruption is categorized into seven primary types: [1]

12) 1) Losses to state finances (unlawful acts that result in financial loss to the state).

13) 2) Bribery (the act of offering or receiving something to influence the decisions of an official).

14) 3) Embezzlement in an official capacity (intentionally misappropriating funds or securities entrusted to an individual by virtue of their position). 4) Extortion (when an official actively coerces or demands a reward from a service user).

15) 5) Fraudulent acts (actions in contracting or procurement that involve cheating on quality or budget).

16) 6) Conflict of interest in procurement (participating in contracting or procurement processes that one is supposed to be overseeing).

17) 7) Gratification (the provision of money, goods, discounts, commissions, or facilities to a public official in connection with their position).

2) Composition: Consists of 1 (one) Independent Commissioner, who serves as the Committee Chair, and at least 2 (two) other members from outside the issuer or public company (independent parties).

3) Expertise: At least one member must possess an educational background and expertise in the fields of accounting or finance.

III. RESEARCH METHODOLOGY.

This study employs a qualitative research methodology, involving 25 students from STIE YAI Jakarta as participants. The research findings indicate that risk management, independent commissioners, the audit committee, and the internal audit unit have a positive impact on reducing and eliminating corruption at PT Garuda Indonesia.

IV. DISCUSSION.

1. Risk Management in Eliminating Corruption.

Risk management does not automatically "eliminate" corruption entirely; rather, it functions to mitigate, identify, and narrow the loopholes that allow for corrupt behavior within an organization.

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The Relationship Between Risk Management and Corruption

1) Not a Complete Eradicator: Corruption involves factors such as intent and individual integrity, which cannot be 100% controlled solely through administrative systems. [1]

2) Reducing Loopholes (Fraud/Corruption Risk Assessment): Through the implementation of frameworks such as Corruption Risk Assessment (CRA) or anti-corruption standards (e.g., ISO 37001), an organization can map out vulnerable areas, such as the procurement of goods/services, licensing, and financial operations.

3) Corporate Responsibility: Under modern legal principles—such as the concept of corporate criminal liability—a failure by management to effectively manage fraud risks can lead to the company itself being held legally accountable if its employees commit violations.

Supporting Components for Effectiveness 1) Corruption risk management will only have a significant impact when combined with:

2) Strengthening internal systems and controls (the "Three Lines Model").

3) Active involvement from top leadership ("tone from the top").

4) The continuous cultivation of an anti-corruption culture and human resource integrity.

2. The Role of Independent Commissioners in Eliminating Corruption.

Independent commissioners play a crucial role as objective overseers in eliminating and preventing corruption within corporate governance. Unlike regular commissioners—who may represent the interests of specific shareholders—independent commissioners have no financial, managerial, or equity ties to the company's controlling parties, allowing them to act without conflicts of interest.

Below are concrete ways in which independent commissioners help eliminate corruption:

Oversight through the Audit Committee

1) Internal Audit: Independent commissioners typically chair the Audit Committee, monitoring the effectiveness of the company's internal control systems.

2) Fraud Detection: They are empowered to conduct in-depth reviews of financial statements to detect fund manipulation, bribery, or embezzlement (fraud).

Enforcement of Whistleblowing Systems

1) Reporting Channels: Promoting and overseeing the operation of a Whistleblowing System (WBS) to encourage employees to report indications of corruption.

2) Whistleblower Protection: Ensuring that the identities of whistleblowers are securely protected against intimidation.

Control of Transactions Involving Conflicts of Interest 1) Transaction Review: Examining all transactions with affiliated parties (e.g., vendors owned by the families of directors).

2) Prevention of Nepotism: Ensuring there is no illegal transfer of company assets or contracts with inflated costs for personal gain.

Strengthening Good Corporate Governance (GCG).

4. The Audit Committee and the Elimination of Corruption.

The Audit Committee does not eliminate corruption entirely; rather, it serves as a bulwark for prevention and early detection. Within the framework of Good Corporate Governance, the Audit Committee's role focuses on oversight, while the ultimate responsibility for ensuring the absence of corruption rests with management and all elements of the organization.

The following explains the functions of the Audit Committee in minimizing the risk of corruption:

1) Oversight of Internal Control Systems: Ensuring the company maintains robust control systems to close loopholes that could facilitate financial manipulation.
2) Safeguarding Auditor Independence: Ensuring that internal and external auditors can work objectively, free from interference by parties potentially involved in misconduct.
3) Managing a Whistleblowing System: Providing and overseeing channels for reporting violations, allowing employees or external parties to safely report indications of corruption.
4) Risk Review: Identifying operational areas within the company that are most vulnerable to bribery, gratuities, or corruption.

Conclusion: The Audit Committee acts as a control and detection instrument; however, the total elimination of corruption requires an ethical work culture, strict law enforcement, and the full commitment of top management. • Culture of Transparency: Promoting full transparency in every strategic decision-making process and financial report.

• Implementation of Compliance: Ensuring the organization's adherence to applicable anti-corruption laws (such as regulations set by the Corruption Eradication Commission/KPK or anti-corruption legislation).

5. The Internal Audit Unit (IAU) in Eliminating Corruption.

The Internal Audit Unit (IAU)—or *Satuan Pengawasan Intern* (SPI) in Indonesian—plays a crucial role as the first line of defense in preventing, detecting, and eliminating corrupt practices within government agencies, state-owned enterprises (BUMN), and private institutions.

As an independent and objective internal audit body, the IAU minimizes the risk of fraud through a series of integrated oversight strategies:

• Prevention and Early Warning Systems: The IAU strengthens organizational governance by testing the effectiveness of internal control systems. Through risk mapping, the IAU can detect potential budgetary irregularities early, before they escalate into actual acts of corruption. Management of Whistleblowing Systems (WBS): In many organizations and corporations, the IAU is tasked with managing whistleblowing systems. This allows employees and external parties to report fraud securely, ensuring that such reports are followed up on objectively. The IAU plays an active role in monitoring, promoting, and managing reports concerning the provision or promise of gifts (*gratifikasi*) to prevent conflicts of interest among officials.

Internal Audits and Investigations: Through periodic operational and financial audits, the IAU identifies legal loopholes or the abuse of authority, providing recommendations to leadership for improving governance systems. Within the framework of national integrity enforcement—as emphasized by the Corruption Eradication Commission (KPK)—a capable internal oversight mechanism—whether in the form of an IAU within a corporation or a Government Internal Supervisory Apparatus (*Aparat Pengawas Intern Pemerintah* or APIP) within the bureaucracy—is key to fostering a culture of transparency and breaking the chain of corrupt activities

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V.CONCLUSIONS AND RECOMMENDATIONS.

A. CONCLUSIONS.

1. Risk Management plays a role in helping to eliminate corruption at PT Garuda Indonesia.
2. The Independent Director plays a role in helping to eliminate corruption at PT Garuda Indonesia.
3. The Audit Committee plays a role in helping to eliminate corruption at PT Garuda Indonesia.
4. The Internal Audit Unit plays a role in eliminating corruption at PT Garuda Indonesia.

B. RECOMMENDATIONS. To be more effective in helping to eliminate corruption from an early stage, the roles and effectiveness of Risk Management, the Independent Director, the Audit Committee, and the Internal Audit Unit should be further enhanced.

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