

PROSPECTIVE REGULATION OF PRIVATE SECTOR LEGAL COMPLIANCE AUDITS THROUGH THE DRAFT NATIONAL LEGAL GUIDANCE LAW AS A MANIFESTATION OF GOOD CORPORATE GOVERNANCE

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Abstract: Various private sector legal issues show how the quality of legal compliance is lacking. Legal entities and business entities have not taken into account decision-making in business transactions, or other actions that risk reducing investor interest. The massiveness of legal audit problems is an urgency to identify legal deviations from the start, so that legal compliance can be measured to avoid criminal, civil, and administrative sanctions. However, reviewing the current implementation of legal audits is limited to asset valuation and financial statements, and even then it does not require private institutions to carry out audits periodically so that they are carried out by certain companies only. This research uses a normative method that refers to laws and regulations accompanied by literature studies in the form of books, journals, and other literature to find prescriptive ideal ideas. The results show that the implications of legal compliance audits stem from a legal vacuum over the audit mechanism, standardization of honorarium, and legality of legal auditors. The National Law Development Agency (BPHN) must work together to formulate a private sector legal compliance audit in the Draft Law on National Law Development to realize Good Corporate Governance (GCG). The author recommends an ideal legal compliance audit model like the Government Accountability Office (GAO) from the United States.

Keywords: Audit; BPHN; Legal Compliance; Private

I. INTRODUCTION

The realization of law that is obeyed in the supremacy of the constitution is one of the determinants of the direction of the life of the nation and state, despite the fact that until now it has not been fully realized. Laws that represent order are hampered by the lack of legal compliance at all levels of society, including agencies/institutions in the executive, legislative, and judicial branches as well as the private sector itself. One of them is caused by the National Law Development Agency (BPHN) in its authority to conduct legal guidance is only limited to the public sector, not reaching the private sector (Nigrini, 2012).

So far, the audit has been limited in terms of financial reporting and valuation of company assets, and even then it is only carried out by certain companies that have an interest in the

issuance and are conducting public offerings to encourage investors. Whereas legal audits carried out before the occurrence of legal acts are very important, considering that auditors can identify actual and / or potential legal deviations in every act such as transactions carried out from the start. Legal audits can also be conducted after the occurrence of transactions or other actions in order to control them earlier. For example, compliance to report transactions suspected of money laundering, terrorism financing, or granting rights to workers. The real portrait of legal audits that have not been carried out thoroughly greatly affects the level of legal compliance of private institutions (Zamzami & Faiz, 2018). Based on the Financial Transaction and Analysis Reporting Center (PPATK) report in 2023, State/Region-Owned Enterprises (BUMN/BUMD) ranked second highest in money laundering cases, as well as private employees who also ranked fourth.

The phenomenon of money laundering cases is in fact an evaluation to map the problem. The problem of legal compliance audits in normative discourse stems from the absence of regulations or policies that provide an obligation for agencies/institutions in the public and private sectors to carry out periodic legal audits to measure the extent of institutional compliance with laws and regulations. Such a legal vacuum has a series of adverse implications, by not requiring the submission of written documents by private institutions on the results of legal compliance audits, as well as the absence of clear sanctions if they are uncooperative in providing data related to the results of legal audits, has the implication that legal auditors are also limited in carrying out compliance audits (Ardianingsih, 2021). As a result, violations of the rules can no longer be controlled not because of the institution's deliberate non-compliance with laws and regulations, but because the absence of legal auditors in each institution makes there no warning or risk mitigation of violations of the institution's legal actions given. Directly in the absence of a legal auditor to provide guidance, there is no definitive recommendation to correct the misconduct (Sula & Alim, 2014).

Legal auditors seem to find complex uncertainties such as the full legality of carrying out audits in each private sector institution, not to mention the standard amount of service fees obtained in the form of honoraria. Of course, the honorarium mechanism received for each profession is clearly different, between legal auditors and notaries and curators as contained in the technical regulations of the Minister of Law and Human Rights of the Republic of Indonesia. Legal vacuum (*rechtvacuum*) in the legislation. Apart from the issue of honorarium, the legal audit has also not found the right method to be arranged, so far the guidance on compliance has also not been found to be a preventive audit, and is only limited to interviews and direct investigations to related institutions.

The complex legal issues found confirm to us that minimal compliance is reflected in the form of prevention and supervision that is not carried out consistently, which has implications for decision-making in every business transaction or other actions outside the operational standards of private institutions. Whereas legal audits have an important role not only in examining violations that occur, but also on definite indicators measuring the extent to which an institution complies with applicable legal provisions. The examination includes several things such as checking at the legal ownership of company assets, transactions, and debts. Another accompanying authority is to monitor any activities or actions that are vulnerable to legal problems or are actually being faced. The results of the audit become the initial basis for

knowing the quality or level of legal compliance of the institution that has been carried out for some time (Kurniawan & Gunawan, 2022).

Legality is vital for the auditor profession when auditing the compliance of private institutions, so that slowly its existence will foster quality in accordance with good corporate governance and have an impact on encouraging investors to invest in Indonesia. Legal auditors of various types, including supervisory auditors, independent auditors, and internal auditors will certainly make efforts to prevent, monitor, control, and help solve legal problems (prevention, supervision, controlling, and problem solving).

Currently, the joint government is drafting the National Legal Development Bill (RUU PHN) as a new paradigm of legal compliance, one of which is to accelerate development not only in the public sector, but also the private sector which reaches business entities and legal entities as part of legal certainty. The PHN Bill has been in the long list stage of Prolegnas and is in the process of being included in the Priority Prolegnas in 2024. Widodo Ekatjahjana as Head of BPHN assessed that legal compliance audits will involve legal auditors, while for the public sector legal analysts will be used, so that the realization of legal compliance and awareness is in line with the index of good corporate governance.

Good Corporate Governance will certainly be examined by the author by linking to the preparation of the PHN Bill which contains a legal compliance audit, whether it has an effect on increasing company compliance in every business practice undertaken as a form of global scale economic competition. The positive impact obtained is that BPHN can further expand the authority to carry out legal guidance so that Indonesia has a good business climate. The study of the preparation of legal compliance audits by the author begins by examining the implications and problems of audits that result in high cases of money laundering and environmental compliance by companies that need attention. Then analyze the legal compliance audit accommodated in the PHN Bill by not changing the position of the legal audit. However, the ideal legal audit model needs to be analyzed by adopting American compliance audit standards.

II. RESEARCH METHOD

This research uses a doctrinal research method that analyzes legal phenomena to find ideal prescriptions in the formulation of legislation around legal compliance audits. Normative juridical research is used in examining applicable regulations accompanied by literature studies in the form of books, journals, and other relevant literature (Al-Fatih, 2023). Data analysis uses descriptive qualitative (Negara, 2023) to deepen the phenomenon of private sector compliance audits in the private sector, to then be concluded from general to specific statements.

III. RESULTS AND DISCUSSION

Problems of Legal Compliance in the Private Sector Against the Risk of Violation of Laws and Regulations

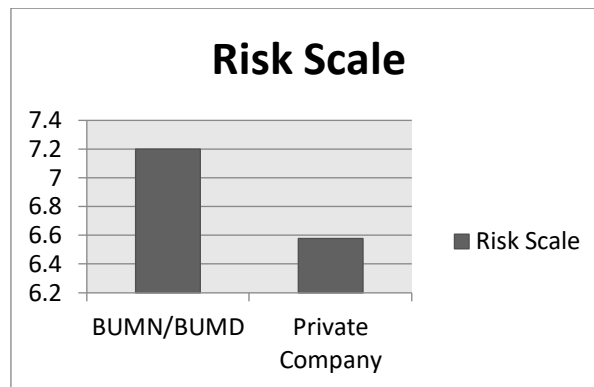
The risk of legal compliance in the private sphere is still an issue that needs government attention, especially in the policy aspect. The challenge in realizing a good business ecosystem is because regulations often change, making it difficult to understand, and even apply them to all company actions not to violate the law. The misunderstanding of regulations is actually caused

by miscommunication on compliance, or deliberate practices from companies because there is no one to supervise, or just provide signs of violation as a concrete mitigation. Apart from these problematic actions, the interpretation of regulations without prior legal guidance is the origin of the high number of cases of violation of the law that ensnare companies in various sectors. The significance is that every company action has a legal risk vulnerability that starts from the lack of compliance (compliance risk), both losses that have a direct or indirect impact as a result of laws and regulations not being implemented properly. The source of legal compliance essentially comes from the behavior of the legal entity itself, namely the company with all actions that deviate from laws and regulations, or just Standard Operating Procedures (SOPs) that contain general organizational behaviour (Cosserat & Rodda, 2009).

We can actually conceptually draw legal compliance in Soerjono Soekanto's thinking, he believes that law is not only used as a means of social control and a means of reform, but also accelerates the process of social interaction. This process forms a harmony between peace and order in the association of life in society. The backbone is social control that contains norms accompanied by renewal to always realize legal compliance. Soerjono Soekanto continued to describe three aspects that cause the law to be obeyed holistically, namely compliance, identification, and internalization (Soekanto, 1988). Compliance itself is legal compliance that is caused by the imposition of sanctions for those who violate it. This means that the orientation of compliance with the law is more likely to avoid legal sanctions. Then for identification is legal compliance due to interest relations, or encouraging factors between people or groups. Meanwhile, internalization is more likely to lead to knowledge of the functions and objectives of legal rules (Grasso & Sharkansky, 2001).

Currently, the phenomenon of compliance is an intriguing condition, how many business entities and legal entities are entangled in cases in the financial and environmental sectors. For example, SOEs or other private institutions are caught in money laundering cases, either because they are trying to gain personal benefits or because they really do not know the legal risks of all actions taken. This ignorance is actually not accompanied by compliance to provide audit reports by companies on transactions that are prone to money laundering, or even funding for terrorism and acts of corruption (Van den Berghe, 2012). Based on the PPATK report entitled Indonesia National Risk Assessment on Money Laundering 2021, that based on institutional classification, BUMN / BUMD ranks second highest with a risk scale for private sector money laundering cases of 7.2. This figure is then followed by a number of other institutions, namely private companies at 6.76.

Table 1. Private Sector Money Laundering Case Risk



Source: Financial Transaction and Analysis Reporting Center (PPATK)

The same is found in the environmental sector where only 17.5 percent of private companies comply with environmental compliance, or around 3,694 companies. The low obligation to manage waste from the environment impacts the inefficiency of the social economic value of the energy sector and efforts to reduce emissions, waste generation, and other environmental impacts. Companies that do not make the application of environmental impact assessments in their management plans affect the level of legal compliance, which factors in the slowness of companies to adjust and fulfill monitoring and data reporting obligations, as well as comply with technical rules related to hazardous waste management and business licensing.

The non-compliance that is clearly illustrated in these two sectors is actually correlated with how legal compliance audits at the normative level and in practice have been carried out by private institutions. This is because, if we connect it with the complexity of compliance audits, we will find the extent of good company management and performance. The author actually finds problematic audits more due to the absence of legal certainty in the form of laws (Padgett, 2011).

If we examine together, the legality and standardization that is specific to legal auditors in conducting audits is only limited in the Decree of the Director General of Training and Productivity Development of the Ministry of Manpower and Transmigration Number No.Kep.242/Lattas/XI/2014 concerning Registration of Special Standards for the Indonesian Legal Auditor Profession, dated November 4, 2014 Jo. Decree of the Director General of Training and Productivity Development of the Ministry of Manpower No. Kep.430/Lattas/XII/2016 concerning Registration of Special Standards for the Indonesian Legal Auditor Profession. Audit standardization is divided into several units of competency which are further described as follows:

Table 2. Limited Legal Audit Competency Units

No	Unit
1	Planning the Audit
2	Conduct Data Collection and Audit and Collection of Legal Information
3	Conducting Legal Audit Consultation
4	Conducting Legal Audit

Source: Decree of the Director General of Training and Productivity Development of the Ministry of Manpower

The rule of law in the division of competency units is still limited, only contains general standards and does not specifically regulate how the form of audit is specialized in aspects of legal compliance, especially in the private sector itself. The characteristics that can be examined from the standardization of legal audits are only concretely focused on the division of competency units and individuals addressed to the Indonesian Association of Legal Professionals (PAPHI), where the legality of audits in specific competencies to go further in auditing companies, and the obligations that burden them are definitely not taken into account in this decision, making it important for the government to form laws and formulate models that are more adaptive and inclusive for companies together with the government that carries out legal guidance. An integrated understanding of legal compliance will realize healthy business activities, and companies can be protected from all sustainable company activities, of course, accompanied by operational performance that increases and maintains the company's reputation from stakeholders. Of course, this is inseparable from the Good Corporate Governance (GCG) system which can be an indicator as well as a determinant of the direction of legal compliance that will be contained in the PHN Bill.

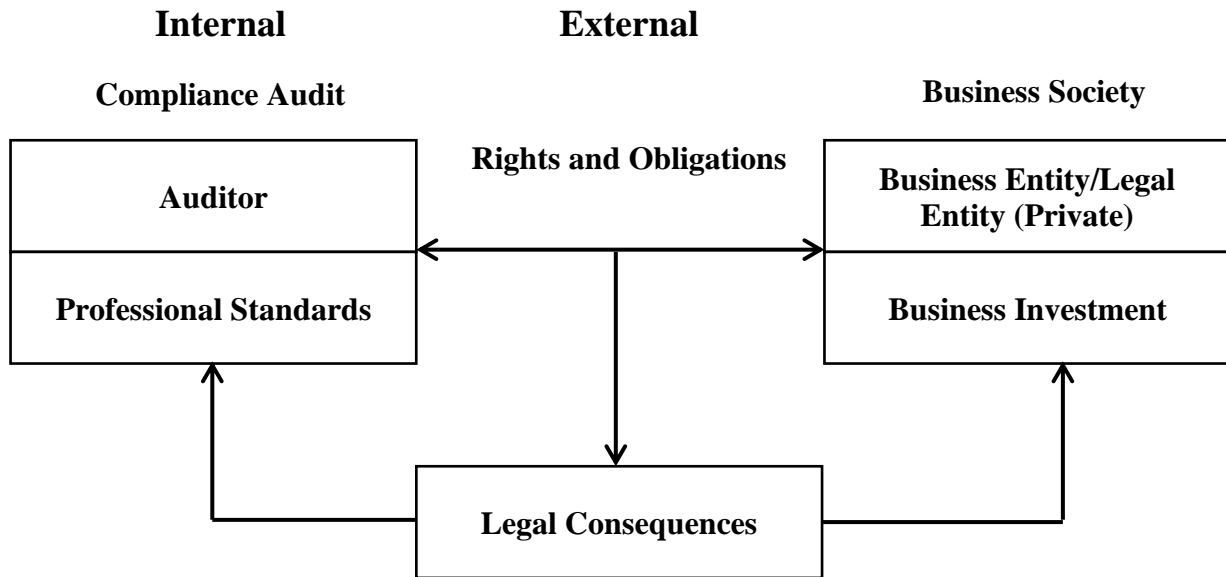
The Relationship of Legal Compliance Audit Problems with the Good Corporate Governance Paradigm

Discussing of the relationship between legal compliance audits and Good Corporate Governance (GCG), both have continuity to improve the quality of the business environment, where GCG itself is a system that ensures the control aspects and proper coordination of each party to make the company's business run according to laws and regulations. Meanwhile, legal compliance audit is a sub-system of GCG to see a series of company performance processes through audits to ensure whether they are in accordance with applicable standards and mechanisms, thereby reducing the risk of violations committed by the company itself.

The concept of GCG is an important aspect aimed at maintaining national economic stability through the enforcement of business ethics in companies. Historically, in 1997-1998 Indonesia was in an economic and monetary crisis that spread to various sectors, resulting in a prolonged crisis period. The multidimensional crisis was caused by companies that massively have not applied business ethics, including how to comply with legal provisions. The correlation is that every action taken by the company operationally affects the interests of stakeholders (government, investors, etc.) because of the ethics and laws that accompany it. The implementation of GCG is a form of economic balance on a national scale by accompanying aspects of legal compliance and performance assessment of each company.

The author first outlines the relationship of each entity that has an interest (stakeholder) with legal consequences. If it is likened to the position and rights and obligations of a compliance legal audit is the same as a public accounting audit, then the author sees the relationship between legal auditors and the private sector to the law itself as follows:

Figure 1. Relationship between Legal Compliance Auditors and Private Sector Institutions to the Law



Source: Data processed by the author

Based on the picture above, each party, both auditors and the private sector, has equal consequences for the law itself, where the Auditor has the responsibility to carry out audits which in professional standards must be impartial, and provide free judgment as a reference to see the legal compliance of the private sector. Likewise, the private sector, which is divided into business entities and legal entities, also has consequences for financial data or propriety for its actions not outside the legal corridor, so that what is expected is that there are no attempts at gross manipulations of reports, because later the accountability that is owned also has consequences for business investment to affect investor attractiveness due to less convincing profitability due to legal non-compliance.

GCG is a comprehensive system to encourage the accountability of each company by ensuring a balance between the company and the public sector, including shareholders to provide any accurate information or information on the company's long-term profitability, so that justice can be distributed to all parties by realizing mutual respect for each party. GCG also encourages companies to uphold transparency in any information related to ownership, company performance, legal compliance, and who is involved as a stakeholder, so that between parties are not vulnerable to making wrong decisions (Padgett, 2011).

Simply put, GCG is used as an indicator to measure the extent of legal compliance of the private sector in Indonesia. Some assessment indices are specific to legal aspects that look at compliance assessments, how consistently the company fulfills the precautionary principle against misuse of company resources whose scope has an impact on the public sector, thus affecting the company's profit growth. The National Committee for Corporate Governance Policy (KNKCG) believes that GCG is a must to be implemented by all companies in Indonesia as an international standardization to reach corporate transparency and accountability.

Evaluatively, the results of an international survey by Credit Lyonnais Securities Asia (CLSA) together with the Asian corporate governance Association (ACGA) found that companies in Indonesia are still at a low level of implementing GCG as a measure of legal compliance. Some companies consider the fulfillment of GCG principles in their companies as formalism against the regulations imposed, the orientation is limited to trying to avoid imposing sanctions rather than considering GCG principles as a corporate culture. Several surveys that have been conducted from year to year illustrate the results of comparative surveys between companies in Indonesia and Asian countries in applying GCG principles as a basis for determining legal compliance and the healthy quality or not of a company, including the following:

- a. The 2001 survey by Credit Lyonnais Securities Asia (CLSA) itself aimed to determine the suitability of corporate governance standards applied by companies. A total of 495 companies were sampled from 25 Asian countries with a span of February to April showing that the average overall score of companies in Indonesia only reached 37.81 on a scale of 0.00-100.00. Compared to other countries that actually achieved scores above 45, for example, Malaysia (56.60), Thailand (55.10), the Philippines (43.90), China (49.10), Korea (47.10), and Singapore as the highest acquisition of 64.50. The index used is 7 aspects which include discipline, justice, social care, independence, accountability, independence, and accountability.
- b. The survey in 2003 by CLSA together with the Asian corporate governance Association (ACGA) was still with the same objectives and use of assessment standards from the previous 2 years. The survey covered companies in the Asian region and took a sample of 380 companies spread across 10 Asian countries. The survey results show that Indonesia experienced a slight increase with a score of 43.00 on a scale of 0.00 - 100.00. When compared to other countries, Indonesia is still much lower than the majority of Asian countries, for example, the highest is Korea with a score of 70.80, followed by Malaysia which obtained a score of 65.00. However, there is one country that scores below Indonesia, namely the Philippines.
- c. The survey in 2004 CLSA and ACGA again assessed the quality of corporate governance, but with different and renewable indices including law enforcement, practice and law, political environment, corporate culture, and auditing and accounting standards. The assessment score is made in the form of an option to choose an answer between 'yes' or 'no' or 'sometimes'. 'Yes' answers were given a score of one, 'no' answers were given a score of zero, and 'sometimes' answers were given a score of half. The survey results show that Indonesia still ranks lowest with a score of 40.00, in comparison India scored 62.00, Malaysia (60.00), Korea (58.00), Taiwan (55.00), Singapore (75.00), Hong Kong (67.00), and China (48.00). The Philippines, which was previously below Indonesia, actually experienced an increase in score to 50.00.
- d. The 2007 survey still used the same assessment index by CLSA and ACGA. This time it involved 582 companies as a sample with the condition that they were listed on the stock exchange for 11 Asian countries. The survey results still showed the low score obtained by Indonesia with a score of 37.00, when compared to other countries such as Hong Kong, Singapore, India, Taiwan, and Japan which have an average score of 60.00 (Dewi, 2020).

The results of periodic surveys by CLSA and ACGA can be interpreted that minimal legal compliance by companies cannot be controlled by the government, leading to the absence of a regulatory framework in the realm of legal compliance audits causing the proliferation of written documents to be easily manipulated in each financial report published per year, manipulation of reports published by public companies listed on the Jakarta Stock Exchange (BEJ) can be questioned. Not to mention the company's actions that seem to be justified unilaterally even though they have the potential to violate the law. If we reflect on the Asian countries involved in the survey sample, that the government together with the company synergizes, starting from the government that makes the legal framework, including compliance audits in it carried out by the company so that it has a tremendous influence to reach the point of GCG. (Novitasari et al., 2020).

Sadly, when compared to Indonesia, until now we do not have a legal framework that really answers every problem that exists, especially compliance audits that are included in the internal realm of the private sector, there is no standardization. Such complex problems start from legality, which leads to the lack of knowledge of a company's regulations because there is no inspection and monitoring through audits, or prevention and prosecution of arbitrary companies in complying with laws and regulations.

In the perspective of external balance, the fulfillment of corporate responsibility to the law will never be realized, which affects other entities, especially stakeholders and society. The lack of corporate legal compliance due to poor legal audits reflects that the company does not have good value financially to shareholders and social welfare, because GCG principles are not optimally implemented. By improving legal compliance, one of which is compliance auditing, it will provide benefits in the form of investor confidence to invest their shares in related companies, because the higher the score of the application of GCG principles, the more investors and creditors will believe in the health of the company against the law, so that shares will be more liquid. Projected long-term profitability gains will increase stock prices and affect the improvement of the Indonesian economy (Njatrijani et al., 2019).

Implications of Legal Audit Regulatory Lacunae on Private Sector Legal Compliance

The problem of legal compliance audits at such a complex level boils down to normative aspects, namely the absence of a legal umbrella that provides more certainty to legal compliance audits, especially the legality aspects of the legal auditor profession which are also still in obscurity, continuing with the obligations and mechanisms that should be regulated in such a way. Every entity involved in the implementation of the audit, both from the audited and the auditing must be clear with the output that becomes a recommendation not only for the public sector, but the private sector as an internal recommendation in future projections as a basis for improvement and fulfillment of the element of prudence for every action or business transaction that is prone to abuse, so as to avoid the consequences of criminal, civil and administrative threats that harm the private sector.

For example, examining the current regulatory changes that are so dynamic, changing contemporaneously is very difficult for companies that are not adaptive to the rules, so what is actually needed is not only in terms of inspection and monitoring, but also a form of legal guidance oriented towards improving the quality of compliance as a form of good corporate

governance. Overcoming these problems certainly requires a holistic approach involving cooperation between the public and private sectors in the aspects of auditing to see the limits of authority, the use of appropriate technology, employee education and training, and awareness of the importance of legal compliance throughout the organization (Wright, 2008).

As stated by Wartono as Wirjasaputra, Secretary General of ASAHI, that the preparation of legal auditor competency standards must be synergized between ASAHI and BPHN to find a definite professional reference for legal auditors in all sectors. The synergy of the preparation also examines how there is an obligation in the private sector to conduct periodic legal audits so that sustainability will easily measure the compliance of each legal entity. The absence of an obligation certainly has implications for the number of violations because it is not only deliberate not to comply with the rules, but also a real portrait of their ignorance of regulations that easily change with the times, so that dynamic benchmarks make it difficult for every legal entity and business entity to be more adaptive (Parker & Nielsen, 2011).

In addition to the absence of the obligation of assistance by legal auditors, the legality of this profession has also not been strategically arranged for the amount of honorarium services, which actually will not be the same as other professions such as notaries and curators who have been regulated by the Minister of Law and Human Rights of the Republic of Indonesia. This continues with the content of sanctions that have also not been regulated in a complex manner, given the absence of an obligation to carry out compliance audits in each private sector by providing official records of audit results, or types of sanctions for companies that are not cooperative in submitting data or refusing to conduct audits. Thus, the PHN Bill in the accommodation of legal compliance audits should receive attention through discourse studies, to find every pattern of compliance and the dynamics between policies and practices in the field that are often different, so that it is hoped that the ideal formulation carried by the author in the next discussion will be the answer to the intriguing conditions of legal compliance (Anand, 2007).

Ideal Formulation of Legal Compliance Audit Arrangements in the Paradigm of Good Corporate Governance

The existence of legal auditors, which is not only at the practical level, but also normative, certainly affects their limited position in carrying out audits in the private sector, especially in the aspect of preventing and resolving legal cases as a means of realizing national legal development. For example, in the scheme of procurement of goods and services, or business transactions by companies, the role of legal auditors is not only to conduct supervision as a mitigation of hidden malicious intent, but also in the form of providing recommendations for improvement in the form of ideas or solutions to overcome legal problems. Thus, the important role in compliance auditing is solely to provide guidance that is distributed in standardization and mechanisms as parameters that contain elements of legal certainty in the PHN Bill. Risk identification will always be easier in terms of negligence, intentionality, or ignorance of the company in carrying out applicable regulations (Charkham, 2005).

The ideal formulation of legal compliance audits is first oriented as a form of prevention, the result of a form of legal guidance in the PHN Bill to avoid all acts of financial sector violations, or compliance that has criminal, civil and administrative sanctions. For example, money laundering cases or compliance in sustainable environmental aspects. The compliance

that is carried out will have an impact on the quality of Good Corporate Governance (GCG), which is an indicator that determines whether or not the quality of the company is healthy in an economic perspective. The compliance process that we want is the implementation of audits in accordance with legal procedures, as well as corporate compliance which is also required so that future projections can achieve investment returns and profitability that attract investors. Simply put, compliance auditing is functional as a trigger for operational effectiveness and efficiency and company performance (Aras & Crowther, 2016).

The author initiates the legality of legal auditors in the compliance sector in the category of internal audit and external audit to provide balance for stakeholders. The difference is that internal audit is coordinated by the company's chief financial officer who is absolutely responsible to the company. Its authority is limited within the company to conduct a review of documents containing internal financial reports, as well as ensuring whether or not the information presented is accurate regarding the company's finances. The difference with external auditors lies in their legitimacy which comes from third parties or outside the company who work in a government agency. For example, an audit conducted by the Supreme Audit Agency (BPK) which is regulated in Law Number 17 of 2003 concerning State Finance (Tricker, 2015).

The superior is that external auditors only audit the output or final results of each company's performance periodically, starting from programs that have been completed (post audit). While internal audit has far-reaching authority privately in risk management that is monitored from before, during, and after the activities carried out by the company. Internal auditors and external auditors together have obligations to each party, both for the company, third parties (government), and law enforcement which are described in the table, among others, as follows:

Table 3. Formulation of Legal Auditor Obligations in the National Law Development Bill

No	Liability Type	Liability
1	Obligation to the Client (Company)	The obligation of the legal auditor to the company to conduct legal guidance as a mitigation of the risk of violations, as well as audits in the form of monitoring, and evaluation. Audit results become recommendations for improvement in the form of written documents and directions for all company actions in future projections.
2	Obligations to Third Parties (Government as a Stakeholder)	Legal auditors provide an assessment of the company to be submitted to BPHN as evaluation data to later classify which companies

		<p>comply in green indicators (means compliant), blue (less compliant), red (has not implemented compliance), black (refused the audit).</p> <p>The written document that becomes the result of the audit becomes the basis for the government, especially BPHN itself to review and review the laws and regulations substantially and the application that has been applied.</p>
3	Civil Liabilities	Obligations on the stock exchange to encourage companies to publish financial results at the end of each year.
4	Crime Liabilities	Audit results are used as recommendations to law enforcement officials as findings on cases for criminal matters such as money laundering.

Source: Data processed by the author

The obligations in the general description above are in fact accompanied by a legal guidance mechanism accommodated in the PHN Bill, namely providing contemporary understanding in the complexity of regulations, because currently we see so many regulations and changes, especially the presence of laws in the concept of omnibus law which is certainly a challenge for companies to understand. Internal and external auditors should work together to realize compliance by providing understanding through mitigation from the beginning of the planning of company activities in the form of legal signs which should and should not be done. The mapping of signs that are adjusted in planning also looks at regional coverage which is often different from one region to another. Every time legal guidance is carried out, legal auditors must pay attention to the dynamics of internal company changes that often restructure management, affecting the quality of applicable legal compliance (Henriques et al., 2023).

Especially for legal guidance on compliance with the code of ethics made by the company, internal auditors need to be given strong legality to see every action that affects business or legal aspects in actions that are prone to sanctions, for example in the preparation of financial reports realized in one year. More in-depth proof of compliance is synergized with external auditors who are under the public sector, so that the mechanisms carried out by each auditor do not overlap and are optimal enough to maintain the implementation of rights and obligations between private

and government institutions. The indicators used are aimed at not only identifying points of vulnerability that often occur non-compliance, but follow-up improvements that are also carried out by supervision.

Internal auditors will be required to be free to conduct compliance investigations on the company's internal risk management, in order to prepare for external audits from the government to audit compliance with laws and regulations that are external to the company, for the results can be a reference. Through early identification of what matters are deficiencies in compliance, internal auditors first provide direction on what needs to be corrected to avoid as much as possible the penalties that can arise from the potential discovery of failures in external compliance audits. Each of the auditors must certainly be given guidance on the standards and operational mechanisms of the audit so that they do not further intervene in every action of the company (Kearney et al., 2013).

The external auditor in its authority will also ensure that the compliance audit conducted by the internal auditor is in accordance with the applicable mechanism, namely during the litigation process related to the rules and procedures of the audit. The audit result becomes a valid report and will be verified should be provided by the company considering to know the extent of legal compliance with the actual state of the company. If there is a violation of laws and regulations, the compliance audit will examine the causes of the violation to later be given an improvement evaluation as a recommendation to prevent violations from occurring again in the future. The actualization of the company's performance achievements in accordance with the corridors of law will be reviewed in depth by internal, for later the results are submitted to an external audit and a post audit is carried out to map each company's performance and adjusted to the index of compliance with laws and regulations. The company will be clearly illustrated how well its operational systems and actions are in accordance with standard operating procedures and laws and regulations (Ramamoorti, 2003).

Formulating further, the author emphasizes the presence of output on the ongoing legal audit activity process in the form of comprehensive examination results from laws and regulations such as legal subjects, legal objects, and legal acts along with the problems that occur. Likewise, legal disputes that are being or have been implemented will be taken into consideration by the government and companies, whether BUMN or private, to stop or continue making decisions, as well as the government as material for evaluation and policy making. The results of the legal audit will certainly refer to four indicators, namely:

- a. Clear And Clean, which means that the Company (BUMN or Private) obeys and complies with the law without significant legal burdens or problems related to legal subjects, legal objects, and legal events.
- b. Clear But Not Clean, which means that the Company (BUMN or Private) obeys and complies with the law without any problems or legal burdens that occur related to legal subjects, legal objects and legal events.
- c. Not Clear but Clean, which means that the Company (BUMN or Private) does not obey and comply with the law, and is not accompanied by problems or legal burdens that are binding on legal subjects, legal objects, and legal events.

d. Not Clear And Not Clean, which means that the Company (BUMN or Private) does not obey and comply with the law accompanied by problems or legal burdens that are binding on legal subjects, legal objects, and legal events.

This indicator is actually a form of reaction to the Company (BUMN or Private) which requires a sense of security to avoid any actions that have the potential to violate the rule of law with the consequences of the threat of criminal, civil or administrative sanctions related to law enforcement. The implementation of legal compliance audits which will be divided according to the competence of internal and external auditors (third parties) to conduct systematic reviews related to each stage of procedures and methods of operation and the company as a form of assessment will measure efficiency and effectiveness.

The existence of an ideal formulation in the author's view can later become a reference for the government involving BPHN to form legal compliance audit provisions as a form of certainty for legal products and procedures carried out by the Company has been running properly, so that not only the benefits are felt by the company to avoid irregularities but also the government as a stakeholder in increasing investor interest in investing their shares in Indonesia. The overview of each company's compliance assessment is also used as a recommendation for improvement for stakeholders, especially BPHN itself in evaluating each content of laws and regulations and their application (De La O et al., 2023). The form of legal compliance audit must also be designed with efficient costs and resources so that the paradigm embedded in each company is compliance not as a form of cost overruns, but a form of efficiency of the cost itself through synergy between the private sector and BPHN working in the public sector, and adjusted to the company's culture, business priorities, and Human Resources (HR) of the company's employees themselves.

This obligation is attached to a digital-based form of compliance audit, so that in the face of technological and data disruption, legal compliance audits must also be given digital audit obligations in each company accompanied by training that can understand the technology and facilitate the tools needed. The formulation of legal compliance audits in the PHN Bill also needs to contain a definite index that measures the level of compliance, because until now the dynamics that are present in each company are different levels of compliance. A legal compliance audit in such a way accommodated in the PHN Bill will also see dynamic cultural compliance, between public policy and the daily reality on the ground. Because, sometimes legal auditors find a gap between the two so that legal auditors need to identify and control problems with this compliance.

Adoption of Legal Compliance Audit Standards as Government Internal Control in the United States

The process of drafting the PHN Bill in the legal compliance section actually requires a reflection of audits from the United States, which first succeeded in having compliance standards, both run by internal audits and external audits to see the intersection of competence and legality that results in good governance (Good Corporate Governance). In the United States, compliance audits carried out by the federal government, both in the public and private sectors, are a must as stipulated in Article 3512 (c) and (d) of Chapter 31 of the Federal Managers Financial Integrity Act (FMFIA Act). The onus is actually on the oversight sector in finance to develop internal control auditing standards that are centralized in the federal government. The

government's internal control audit standards are mandated by the Government Accountability Office (GAO), the highest audit institution in the United States. Standardization of audit implementation is contained in a guide entitled "The Green Book" which contains a comprehensive audit framework to form a third party (government) audit system that synergizes with private sector internal audits, involving GAO, companies, and other entities that can ensure audit objectives are achieved.

The GAO as the supreme audit institution has a central role for federal auditors in states and audits in companies to provide standards in financial audits, government audits, compliance audits, and internal control audits. Its position is independent and non-partisan in the legislative branch, so that the institutional orientation is only as a provider of audit, investigative, and evaluative services later for US congressional review. GAO itself is authorized to conduct oversight of an entity (including the private sector) for the results to be used as constructive criticism of company management. If necessary, the audit results of the supervision will be used to make a decision in order to achieve the alignment of the integrity of statutory compliance and ethical values of a company.

External audit operations will identify risks to regulatory compliance, financial reporting, and the efficiency of any corporate decision-making involving the public sector. Identification is aimed at obtaining a basis for risk analysis of the company. The scope is inherent risk and residual risk, each of which has a different function. Inherent risk itself is used when the company does not respond to external audits from the government or even does not make improvements after the recommendations from the audit. The risk assessment determined by the auditor will be aligned with the government objectives to be achieved, one of which is compliance with the law itself by corporate entities, by not releasing compliance audits from applicable standards and mechanisms. The assessment is limited to seeing indications of whether or not a company is massively compliant with a certain index.

GAO in its management will also carry out significant synergy with internal and external audits as a picture of changes in the corporate environment. The external audit itself will provide output in the form of external factors for non-compliance with the law, as well as internal audits that also focus on the company's internal risk management. Internal risk factors include the complexity of the programs run by the company, organizational structure, or the use of a technology whether it is relevant to the times according to its operations. Meanwhile, external risk factors themselves focus on the company's compliance with laws and regulations relating to its institutions, and the standard standards for implementing a form of Good Corporate Governance. The influence of external assessments is a recommendation for economic instability, natural disasters, or evaluation of laws and regulations.

Through its auditors, GAO takes these factors into consideration for companies to further improve business transactions to identify the overall risk of violating the law as an influence on the objectives set out in regulations. The method of identifying the risk of violation of the law includes activities that make qualitative and quantitative assessments, estimates of planning in accordance with regulations, and considerations of inefficiency and vulnerability to abuse of authority and actions that violate laws and regulations. The analysis of the risk of violation of the law can be estimated in significance by providing a basis for reference and response to the risk.

The effect is how the assessment of legal compliance is aligned with the objectives to be achieved.

Estimating the significance of identified risks GAO will provide an assessment of the impact, GAO will provide an estimate of the magnitude of the impact, the probability of occurrence, and the nature of the risk. The magnitude of the impact of a violation of law refers to how far the action goes outside the legal corridors, and is linked to the potential inefficiency of the company's actions. Predictable factors are the size and duration of the risk impact. The probability of occurrence refers to the level of likelihood of the risk of fraud, data manipulation, money laundering, environmental damage, violation of labor rights and obligations in the company, etc. In the legal compliance risk assessment stage, GAO auditors identify changes that have a massive impact on the company's internal control system, starting from the identification, analysis, and response to the results of the analysis in the form of changes. However, the discussion of risk assessment. Discussion of changes is carried out separately after the audit to focus on assisting and monitoring changes in legal compliance behavior. The anticipation of change that can be done by auditors is to provide insightful compliance so that in the future they can identify changes thoroughly. This insightful compliance, if adopted to Indonesia, would take the form of comprehensive national legal guidance to the private sector.

GAO auditors will scrutinize every management activity and then question when there are findings of potential violations, then provide alternative views and take action on the violations found. Enforcement is focused in a remedial orientation that is the subject of impartial risk assessment and operations that achieve objectives with several aspects including the following:

- a. Control Environment, namely building integrity and ethical values, establishing a supervisory structure, developing competency expectations, and maintaining accountability to all members of the supervisory body and key stakeholders.
- b. Risk Assessment, which oversees management's assessment of risks to achieving objectives, including the potential impact of significant changes, fraud, and management's neglect of internal controls.
- c. Control Activities, providing oversight to management in the development and performance of control activities.
- d. Information and Communication, analyzing and discussing information related to achieving the entity's objectives.
- e. Monitoring, examining the nature and scope of management monitoring activities as well as management evaluation and correction of identified deficiencies.

The auditor will later provide input on errors that have previously occurred since the beginning of planning to correct deficiencies in the company's system as regulated by law. The results of the evaluation and feedback of deficiencies will be a direction to the company regarding the potential inefficiency of the legal boundaries that have been violated. If it is necessary to audit actions outside the authority, the auditor will propose the formation of a special team for litigation to solve complex legal problems to supervise and handle specifics.

The auditor's responsibility in overseeing every government activity needs to be given a definite time limit in order to fulfill the principle of efficiency as a result of periodic compliance audits. External auditors from GAO conduct ongoing monitoring of the effectiveness of the design and operation of the internal control system as part of normal operations. Continuous

monitoring includes routine management and supervisory activities, comparisons, reconciliations, and other routine actions.

Auditors may report internal control issues through established reporting channels to appropriate internal and external parties in a timely manner to enable the company to evaluate legal issues as quickly as possible. Depending on the company's regulatory or compliance requirements, the company may be required to report issues to appropriate external auditor parties, such as lawmakers, regulators, and standard-setting bodies that establish the laws, rules, regulations, and standards to which the company is subject

IV. CONCLUSION

The problem of the lack of legal compliance in the private sector, both BUMN and private, can be seen from the high number of money laundering cases through risk scale assessments, as well as related to the environmental sector which only reached 17.5 percent compliance. This problem discursively boils down to the absence of a legal umbrella regarding compliance audits as well as the obligation of companies to carry out compliance audits, including audit procedures, standards, time limits, and the legality of the legal auditor profession itself. As a result, many companies do not really understand the laws and regulations that should be obeyed, or actually deliberately take actions outside the legal corridors due to the lack of supervision and national legal guidance. The existence of legal compliance audits in the National Law Development Bill will certainly realize Good Corporate Governance (GCG), which is to form good long-term company profitability in the eyes of investors, thereby increasing investment interest due to the quality of a healthy economic environment.

The author suggests an ideal formulation for the drafting of the National Legal Development Bill related to legal compliance audits, with a regulatory design derived from the GAO compliance audit standards. The idea begins with the legality of legal auditors in the compliance sector in the classification of internal and external auditors to provide balance to stakeholders. The difference is seen from several aspects, one of which is position and authority. Internal audit is positioned under the head of the company's finance department to review documents containing internal financial reports, ensure the accuracy of information, the suitability of programs run by the company, organizational structure, or the use of a technology whether it is relevant to the times according to its operations. Meanwhile, external auditors come from third parties or outside the company who work in a government agency with the task of identifying the risk of compliance with laws and regulations relating to the company, the suitability of financial statements, and overseeing company decision making concerning the public sector. Audit results are not only a recommendation for improvement of the company, but also used as findings that will be followed up by law enforcement officials. Not only that, the results will also be used by BPHN to create a private sector compliance assessment index which is outlined in a report every year as a material for review and evaluation of whether the content and application of laws and regulations in the private sector are in accordance with legal ideals.

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