

# Optimizing the Implementation of Compliance Audit Functions in State-Owned Enterprises: An Analysis through the Lens of Indonesian Corruption Law

Andi Wahyu Wibisana 

Faculty of Law, Universitas Pancasila, Jakarta Selatan, Indonesia

Email: andiwahyu@univpancasila.ac.id

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## Abstract

This study aims to explore the optimization of compliance audit functions in state-owned enterprises, analyzing them through the lens of Indonesian corruption law. This research method uses a normative legal research method, and the data analysis used in this study is a descriptive qualitative analysis and data collection technique using three legal material data (primary, secondary, and tertiary) and interviews (things outside the three legal materials), which are only supporting in nature. Interviews are used to deepen the understanding of a legal norm, to find out how legal norms are applied in practice, and to obtain interpretations from compliance audit practitioners in Indonesia related to the implementation of compliance audit functions in state-owned enterprises through the lens of Indonesian corruption law. The results of this study indicate that optimizing the implementation of compliance audit functions in state-owned enterprises through the lens of Indonesian corruption law has positive implications for preventing and eradicating corruption and ensuring the implementation of good corporate governance. Therefore, a mechanism is needed, such as a law or regulation, including both public law rules and internal company regulations, to ensure that business processes and decision-making processes align with company goals, thereby protecting the interests of stakeholders and the public. Thus, it is necessary to strengthen the internal control system and effective law enforcement and increase awareness of the importance of compliance with applicable laws and regulations in Indonesia. Furthermore, the results of this study are also expected to be used by state administrators, academics, and other stakeholders.

## Keywords

Compliance Audit Functions, State-Owned Enterprises, Indonesian

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## 1. Introduction

State-owned enterprises (SOEs) are significant players in both the global and national economies. According to the [IEG-World Bank Group \(2025\)](#), SOEs play a major role in many developing countries and emerging economies, where governments use them to (1) achieve economic, social, and political goals and (2) provide and expand access to services, fill market gaps, develop key sectors or regions, and create employment opportunities. In line with this opinion, the [OECD \(2025\)](#) states that the multifaceted role of SOEs in economic growth includes the provision of public services and the implementation of policies that are widespread in strategic sectors such as energy, mining, infrastructure, and finance. SOEs have the potential to make a positive contribution to growth in countries with good institutions ([Szarzec et al., 2021](#)), for example, the provision of public services and sustainable development. However, SOEs face complex challenges due to the dual role of the government as owner and regulator, which tends to create conflicts of interest ([Netter & Megginson, 2001](#)). According to the [OECD \(2025\)](#), the management of SOEs must be carried out responsibly, accountably, and with integrity through effective corporate governance ([Yasin & Nursadi, 2021](#)) to ensure the contribution of SOEs to competitiveness, economic resilience, and sustainable development.

The implementation of good corporate governance (GCG) in SOEs is the main focus, which includes transparency, accountability, and a deep understanding of legal compliance in the form of compliance of SOEs as business organizations/companies with laws, regulations, guidelines, and specifications relevant to the company's business processes ([Stradomska et al., 2019](#)). According to [Stradomska et al. \(2019\)](#), legal compliance is to ensure the effectiveness of risk management and protect the company from legal and financial liabilities ([Stradomska et al., 2019](#)) and also to build a culture of integrity that is in line with ethical standards, thereby encouraging long-term organizational sustainability ([Pinto e Silva & Coelho, 2017](#)). According to [Jiménez \(2022\)](#), legal compliance supports organisational integrity by maintaining transparency and accountability, which can ultimately strengthen stakeholder trust to maintain the company's reputation and economic growth. [Pinto e Silva & Coelho \(2017\)](#) stated that integrating legal compliance into business operations improves internal governance mechanisms, which contributes to the company's ethical standing and sustainable development.

Several laws and regulations in Indonesia that mandate legal compliance to support organizational integrity by maintaining financial transparency and accountability and also as internal control for public companies include Law of the Republic of Indonesia Number 40 of 2007 concerning Limited Liability Companies (Law 40/2007) or *Undang-Undang Republik Indonesia Nomor 40 Tahun 2007*

*tentang Perseroan Terbatas*, Law of the Republic of Indonesia Number 8 of 1995 concerning Capital Markets (Law 8/1995) or *Undang-Undang Republik Indonesia Nomor 8 Tahun 1995 tentang Pasar Modal*, and regulations issued by the Financial Services Authority (OJK), Financial Services Authority Regulation Number 29/POJK.04/2016 concerning Annual Reports of Issuers or Public Companies or *Peraturan Otoritas Jasa Keuangan Nomor 29/POJK.04/2016 tentang Laporan Tahunan Emiten atau Perusahaan Publik*. Referring to various existing laws and regulations in Indonesia, it is essential to enhance the implementation of the compliance audit function in State-Owned Enterprises (SOEs), particularly in the context of Indonesian corruption law. Optimization, in this context, refers to identifying the most effective approach to achieving the objective function (Carissimo & Korecki, 2024). According to Carissimo & Korecki (2024), optimization and optimized processes play a very broad role in society. Meanwhile, a compliance audit is defined as a formal evaluation or assessment of an organization's compliance with regulatory frameworks and/or requirements (Iqbal & Ramos, 2023). Therefore, optimizing the implementation of the compliance audit function in state-owned enterprises is crucial.

According to Alfina & Utama (2025), the internal audit plays a crucial role in fostering organizational resilience and sustainability. It acts as a frontline defense in upholding organizational integrity and enhancing the implementation of Good Corporate Governance (GCG) principles. Consequently, the internal audit is integral to strengthening risk culture and enhancing overall company performance. (Alfina & Utama, 2025). The legal perspective on corruption highlights the importance of optimizing the compliance audit function in preventing and detecting corruption. This involves examining the legal framework, including criminal law and anti-corruption laws, and their application to corruption cases discovered through audits. The focus is on how audits can be strengthened to better identify, investigate, and prosecute corruption, as well as the legal resolution mechanisms if fraud is found. Fraud is an act that violates the law and can cause losses to many parties (Christian & Veronica, 2022). An act can be said to be fraudulent when someone knows the misrepresentation of the truth or conceals the truth to encourage another person or group to act to the detriment of the public body (Black, 1990). According to the Association of Certified Fraud Examiners (2024), fraud is an unlawful act that is carried out intentionally, such as manipulation or providing false reports to other parties to obtain personal or group benefits either directly or indirectly that are detrimental to other parties.

The crime of corruption is any act committed consciously or unconsciously by any person who is unlawful with the intention of enriching themselves, cronies, groups, other people, corporations, or institutions that results in state financial or economic losses (Article 2 of the Republic of Indonesia Law Number 31 of 1999 in conjunction with the Republic of Indonesia Law Number 20 of 2001 concerning the Second Amendment to Law Number 31 of 1999 concerning the Eradication of Criminal Acts of Corruption (Law 20/2001). Then, Law 20/2001 was partially

revoked by the Law of the Republic of Indonesia Number 1 of 2023 concerning the Criminal Code (Law 20/2023). The relevant articles in Law 20/2023, or the new Criminal Code, related to the crime of corruption are as follows: 1) Article 603—Formulates the crime of corruption as an unlawful act that enriches oneself, other people, or corporations that harms state finances or the state economy; 2) Article 604—Regulates criminal acts of corruption involving bribes, both by the giver and the recipient; 3) Article 605—Regulates criminal acts of corruption involving extortion; and 4) Article 606—Regulates criminal acts of corruption involving gratuities. It should be noted that this new Criminal Code will come into effect 3 years from the date of its enactment, namely in 2026.

Furthermore, the potential impacts of the new 2023 Criminal Code (KUHP) related to the revised definition of corruption in Articles 603-606 may affect the liabilities of SOEs, and the focus of compliance audits after 2026 is as follows:

1) In the 2023 Criminal Code, which will come into effect in 2026, corruption has been regulated textually, starting from the form of behavior to criminal threats, especially in articles 603-606 of the 2023 Criminal Code, which specifically regulate the chapter on criminal acts of corruption. Specific aspects of the definition of corruption that are amended in the new Criminal Code (Articles 603-606) usually include clarification or expansion of what is considered a criminal act of corruption according to the law. Although I do not have the full text of the revised articles, the changes usually include: Broader Acts: 1) The definition can now include broader behavior, such as abuse of authority, facilitation payments, or illicit influence that were not previously explicitly classified as corruption; 2) Inclusion of New Types of Corruption: This revision can introduce or emphasize certain forms of corruption, such as embezzlement, bribery, favoritism, and bribe-taking, with clearer legal boundaries; 3) Updated Intent and Knowledge Criteria: Clarification of the legal requirements surrounding the intent or knowledge of the parties involved, which may make it easier or more difficult to determine liability; 4) Expanded Entity Scope: This amendment could stipulate that not only public officials but also private actors or business entities, such as state-owned enterprises, can be held liable for corruption, especially if the act involves public funds or resources; and 5) Enhanced Sanctions and Definitions: This revision could also update the sanctions associated with corruption, as well as define precisely what constitutes corruption to avoid ambiguity and ensure stricter enforcement.

2) Impact on State-Owned Enterprises—This amendment means that state-owned enterprises can now be more directly implicated if their officials or affiliates engage in activities classified as corruption under the new law, especially if the scope is expanded to include acts not previously explicitly defined as corruption. Compliance audits will need to adapt significantly to align with the revised Criminal Code, particularly with the new definitions and provisions related to corruption. The following are some of the key areas that are likely to undergo adjustments: 1) Updated Audit Scope and Focus—Auditors will need to expand their scope to specifically examine whether SOEs and related stakeholders are

complying with the new legal definitions and provisions related to corruption. This includes assessing whether internal policies and procedures have met the updated criteria for corrupt practices; 2) Enhanced Due Diligence—The audit process will incorporate more rigorous due diligence procedures, including verifying the integrity and transparency of procurement, contracting, and financial processes, and reviewing compliance with the revised legal definitions to ensure no behavior falls within the new and broader scope of corruption; 3) Revised Risk Assessment—The risk assessment framework will be revised to identify potential new vulnerabilities under the updated Criminal Code, prioritizing areas with a higher risk of non-compliance based on the revised legal criteria; 4) Internal Control and Governance—Auditors will evaluate the effectiveness of internal controls designed to prevent corruption, including anti-bribery and anti-corruption policies, whistleblower mechanisms, transparency, and reporting procedures; 5) Training and Awareness—Auditors may recommend or verify ongoing training programs for employees and management to ensure understanding of the new legal definitions and requirements; 6) Documentation and Evidence Collection—Audit efforts will focus more on documentation practices that can demonstrate compliance or highlight non-compliance with the new provisions; and 7) Legal and Regulatory Monitoring—Regular updates from the legal team and external sources will be required to keep abreast of ongoing interpretations and enforcement practices related to the revised Criminal Code.

Furthermore, corruption committed by government officials involves actions taken by civil servants or public officials who prioritise their gain and satisfaction. This occurs when they illegally obtain public funds or state assets and use them to fulfil their desires (Kurniawan & Pujiyono, 2018). According to Christian & Veronica (2022), fraudulent acts related to criminal acts of corruption can be carried out both from within (internal) and outside the organization (external), influenced by the opportunities possessed by each position. Experts in Sargiacomo et al. (2024) define fraud as breaking the law or violating the regulatory framework, illegal acts, unethical behavior, crimes, and corruption, which refers to the abuse of entrusted power for personal gain (ACFE, 2025). In Indonesia, as in Article 2 and Article 3 of Law 31/1999 in conjunction with the Decision of the Constitutional Court of the Republic of Indonesia, which changed the status of criminal acts of corruption in Article 2 paragraph (1) and Article 3 of Law 31/1999 in conjunction with Law 20/2001 concerning the Eradication of Criminal Acts of Corruption (hereinafter referred to as the Constitutional Court Decision No. 25/PUU-XIV/2016) or *Putusan Mahkamah Konstitusi Republik Indonesia yang mengubah status tindak pidana korupsi dalam Pasal 2 ayat (1) dan Pasal 3 UU 31/1999 jo UU 20/2001 tentang Pemberantasan Tindak Pidana Korupsi*) regulates that fraud falls into the category of criminal acts of corruption, especially if the fraud involves abuse of authority or position for personal gain or other parties that can harm the state or public interest. For example, bribery, extortion, or gratification, and the resolution of this case primarily involves the legal process for criminal acts of corruption in

Indonesia.

In Indonesia, the problem of inefficiency of state-owned enterprises reflects weak governance, one of which is in terms of implementing the compliance audit function (EBRD, n.d.). Compliance audits systematically examine an organization's compliance with established rules, regulations, and standards governing its industry or sector; the process is designed to evaluate whether a company's operations, policies, and procedures are in line with legal requirements, industry standards, and internal protocols (Buening, 2025). According to Buening (2025), compliance audits act as a comprehensive health check, ensuring that an organization operates within legal boundaries and ethical guidelines. In terms of the implementation of compliance audits, State-Owned Enterprises (SOEs) in Indonesia are considered to be weak in implementing compliance audit functions both in business process practices and in policymaking. According to the Internal Audit Unit of J Corp (an Indonesian state-owned enterprise) in Dwi Ardha et al. (2025), this condition is due to several activities in SOEs not being in accordance with international standards for professional internal audits. State-Owned Enterprises (BUMN) from the lens of the Indonesian Corruption Law often focus on weaknesses in internal and external monitoring systems, as well as the lack of implementation of good corporate governance (GCG) principles.

This condition has implications for corrupt practices in BUMN in the form of corrupt behavior carried out by the leaders of State-Owned Enterprises (BUMN). According to Saptano & Purwanto (2022), several corruption cases in BUMN in Indonesia have involved BUMN directors, including abuse of authority or acceptance of bribes, such as: 1) Sofyan Basir (President Director of PT PLN Persero) was named a suspect in the Riau-1 PLTU bribery case; 2) Andra Y. Agussalam (Finance Director of PT Angkasa Pura II Persero) is suspected of accepting bribes from PT INTI (Persero); 3) Karen Agustawan (Former President Director of PT. Pertamina Persero) is suspected of being involved in the alleged corruption case of PT. Pertamina funding in the Basker Manta Gummy (BMG) Block, Australia; 4) RJ Lino (former president director of PT. Pelindo II Persero) is suspected of committing corruption in the procurement of cranes; and 5) The alleged manipulation case, losses of trillions, and its impact on public trust: the case of fuel adulteration and data manipulation at PT Pertamina Patra Niaga, which allegedly took place from 2018 to 2023, with the modus operandi of lowering the quality of fuel from RON 92 to RON 90. These actions not only harm consumers but also cause potential state losses of up to IDR 193.7 trillion which leads to state losses (Achmad, 2025). These examples underline the importance of strong GCG principles and effective oversight mechanisms to ensure efficient and accountable management of BUMN, as well as to prevent and eradicate corruption in state-owned enterprises through the lens of Indonesian corruption law.

Based on various previous descriptions, this article analyses the optimisation of the implementation of compliance audit functions in state-owned enterprises through the lens of Indonesian corruption law with the aim of preventing and

eradicating corruption. Thus, this article is entitled “*Optimising the Implementation of Compliance Audit Functions in State-Owned Enterprises. An Analysis Through the Lens of Indonesian Corruption Law*”, and the formulation of the research problem is as follows:

- 1) What and how is the implementation of the compliance audit function in state-owned enterprises through the lens of Indonesian corruption law?
- 2) What and how is the optimization of the implementation of the Compliance Audit function through the lens of Indonesian corruption law to prevent criminal acts of corruption in state-owned enterprises?
- 3) What and how is the optimization of the implementation of the Compliance Audit function through the lens of Indonesian corruption law to eradicate criminal acts of corruption in state-owned enterprises?

## 2. Literature Review

Compliance Audit Function—Compliance audit is an important factor that helps companies improve their financial performance and provides assurance to the government that the company complies with applicable rules and regulations (Thottoli, 2021). According to Zoho Corporation Pvt. Ltd. (2025), a compliance audit is a systematic review process that assesses an organization’s compliance with regulatory requirements, internal policies, and industry standards. Regulatory bodies around the world set requirements and standards to ensure safe and legal business operations. Organizations conduct compliance audits through independent auditors or third-party professionals to ensure their compliance with various regulations, such as environmental laws, financial reporting standards, and others (Zoho Corporation Pvt. Ltd., 2025). A compliance audit is an independent assessment of whether a particular subject matter complies with applicable authorities and is defined as criteria by assessing whether activities, financial transactions, and information comply, in all material respects, with the regulatory authorities of the audited entity (INTOSAI, 2019). According to INTOSAI (2019), the purpose of public sector compliance audits is to: 1) Enable Supreme Audit Institutions (SAIs) to assess whether the activities of public sector entities are by the authority that regulates the entity. This involves reporting on the level of compliance of the audited entity with established criteria. Reporting can vary between a short standard opinion and various forms of conclusions, presented in short or long form; and 2) Assessments related to regularity (compliance with formal criteria such as relevant laws, regulations, and agreements) or with propriety (compliance with general principles governing good financial management and the conduct of public officials). While regularity is the primary focus of a compliance audit, propriety may also be relevant given the public sector context, where there are certain expectations regarding financial management and the conduct of officials. Depending on the mandate of the Supreme Audit Institutions (SAI), the scope of the audit may include aspects of propriety.

According to Putri & Trisnaningsih (2023) & Effendi (2016), the principles of

good corporate governance are usually known by their acronym, namely TARIF (Transparency, Accountability, Responsibility, Independence, and Fairness), which is a brief description of each principle of corporate governance as follows: 1) Principle of Transparency—Transparency requires open, timely, and clear information and can be compared regarding the financial condition, management of the company, operational performance, and ownership of the company; 2) Principle of Accountability—Accountability is intended as a principle that regulates the role and responsibilities of management in order to manage the company accountably and ensure a balance between the interests of management and shareholders, which are supervised by the commissioners. In this case, the commissioners provide control to management regarding performance and target achievement for shareholders; 3) Principle of Responsibility—The company ensures that management complies with laws and regulations as a form of corporate responsibility and good corporate citizenship. The company always seeks partnerships with all stakeholders within the limits of laws and business ethics; 4) Principle of Independence—The company realizes that independence is a must so that the company can run well and be able to make good decisions for the company. Each company organ will carry out its duties by applicable laws and GCG principles. Apart from the company organs, no party may interfere in the management of the company; and 5) Principle of Fairness—The principle of fairness implies equal treatment for all shareholders, including foreign investors and minority shareholders, so that all shareholders of the same group must receive the same treatment. Based on the various previous descriptions, it can be understood that compliance audits are an important part of the principle of good corporate governance (GCG), which serves to ensure that companies comply with laws and regulations and internal policies applicable to public companies, especially in state-owned enterprises.

State-Owned Enterprises (SOEs)—A state-owned enterprise is a business entity whose assets and income are owned by the government and handed over to the relevant business entity to carry out business activities (IMF eLibrary, n/d). According to Howard & Pugh (2023), the OECD defines SOEs as “enterprises that are under state control; either the state is the ultimate beneficial owner of a majority of the voting shares, or the state exercises an equivalent degree of control. The EITI defines SOEs as enterprises that are wholly or majority (50% + 1 shares owned by the government) engaged in extractive activities on behalf of the government (Howard & Pugh, 2023). Different countries also use vehicles using different organizations and governance efforts to manage state-owned assets (Butzbach et al., 2025). Okhmatovskiy (2010) in Butzbach et al. (2025) states that state ownership can be carried out directly by ministries, or the state can establish investment funds or use public pension funds to exercise ownership and control rights over SOEs. Experts in Vicente (2020) state that SOEs for services and society are reflected in the provision of public services, their presence in international trade, industry, and industries with important spillovers, and their weight in GDP

and employment—all relevant factors that can contribute positively to the efficiency of the economy and national competitiveness (Vicente, 2020). As the global market shifts to sustainable finance, SOEs have emerged as key players in achieving long-term desired goals and controlling vital sectors such as energy, transportation, and infrastructure (OECD, 2024). Then from there, SOEs can be in the form of a Limited Liability Company (Persero) or a Public Company (Perum), by Law of the Republic of Indonesia Number 19 of 2003 concerning State-Owned Enterprises (Law 19/2003) or *Undang-Undang Republik Indonesia Nomor 19 Tahun 2003 tentang Badan Usaha Milik Negara*.

According to Law 19/2003, what is meant by a State-Owned Enterprise, hereinafter referred to as an SOE, is a business entity whose capital is wholly or mostly owned by the state through direct participation originating from exempted state assets (Article 1 paragraph 1). Then from that, successively—following various articles in Law 19/2003—regulate various important definitions related to SOEs, including the following: SOEs are in the form of limited liability companies whose capital is divided into shares, all or at least 51% (fifty-one percent) of whose shares are owned by the Republic of Indonesia, whose main purpose is to pursue profit, and are limited liability companies, hereinafter referred to as Persero (Article 1 paragraph 2); SOEs is a public limited liability company, hereinafter referred to as Persero Terbuka, and is a Persero whose capital and number of shareholders meet certain criteria or a Persero that conducts a public offering in accordance with the regulations in the capital market sector (Article 1 paragraph 3.); SOEs is a Public Company, hereinafter referred to as Perum, is a SOEs whose entire capital is owned by the state and is not divided into shares, which aims for public benefit in the form of providing high-quality goods and/or services and at the same time pursuing profit based on the principles of company management (Article 1 paragraph 4); SOEs Commissioners are Persero organs tasked with supervising and providing advice to the board in carrying out Persero management activities (Article 1 paragraph 7); and SOEs Directors are Persero organs responsible for managing SOEs for the interests and objectives of SOEs, as well as representing SOEs both inside and outside the court (Article 1 paragraph 9). Furthermore, some examples of SOEs operating in Indonesia include PT Pertamina, PT Perusahaan Listrik Negara (PLN), PT Bank Mandiri, PT Kereta Api Indonesia, and others. Based on the previous descriptions, it can be understood that State-Owned Enterprises (*Badan Usaha Milik Negara* or BUMN) are business entities whose capital is wholly or mostly owned by the state, through direct participation in state-owned assets. SOEs has an important role in the national economy, including providing goods and services, managing natural resources, and helping to realize public welfare.

Indonesian Corruption Law—According to UNCAC, the *United Nations Convention against Corruption* (n.d), corruption is not only a crime that damages the legal system and democracy but also a violation of human rights, damages the economic system, reduces the quality of life, fosters organized crime, and threat-

ens humanity and sustainable development. Various forms of corruption are as follows: bribery and embezzlement in the public sector and in the private sector; trading in influence; abuse of functions; illicit enrichment; money laundering; and concealment and obstruction of justice (UNODC—United Nations Office on Drugs and Crime, n.d). In the legal aspect of Indonesia, the crime of corruption is regulated in the Decree of the Consultative Assembly of the Republic of Indonesia Number XI/MPR/1998 concerning the State Administration that is Clean and Free from Corruption, Collusion, and Nepotism (MPR Decree No. XI/MPR/1998) or *Ketetapan Majelis Permusyawaratan Republik Indonesia Nomor XI/MPR/1998 tentang Penyelenggara Negara yang Bersih dan Bebas Korupsi, Kolusi, dan Nepotisme* (Tap MPR No XI/MPR/1998)). According to Article 2 (2) of MPR Decree No. XI/MPR/1998, it is regulated that state administrators in carrying out their functions and duties must be honest, fair, open, and trustworthy and be able to free themselves from the practices of corruption, collusion, and nepotism. Meanwhile, Article 3 (3) of MPR Decree No. XI/MPR/1998 regulates that efforts to eradicate criminal acts of corruption must be carried out firmly by consistently implementing the law on criminal acts of corruption. According to Article 2, paragraph 1, of the Law of the Republic of Indonesia Number 31 of 1999 concerning the Eradication of Criminal Acts of Corruption (Law 31/1999) or *Undang-Undang Republik Indonesia Nomor 31 Tahun 1999 tentang Pemberantasan Tindak Pidana Korupsi*, criminal acts of corruption are unlawful acts committed by a person or corporation that enrich themselves or others, or a corporation, which can harm state finances or the state economy. According to Law 31/1999 as amended by the Law of the Republic of Indonesia Number 20 of 2001 concerning the Eradication of Criminal Acts of Corruption (Law 20/2001) or *Undang-Undang Republik Indonesia Nomor 20 Tahun 2001 tentang Pemberantasan Tindak Pidana Korupsi*, stipulates that Indonesian Law specifically identifies 30 (thirty) types of corruption crimes, which are grouped into 7 (seven) groups. This classification aims to eradicate corruption and involves a legal framework and law enforcement mechanisms to eradicate corruption (Pusat Edukasi Antikorupsi, 2022). Then, from that, the main anti-corruption legislation in Indonesia is Law 31/1999, which was amended by Law 20/2001, which was eventually replaced by the Law of the Republic of Indonesia Number 1 of 2023 concerning the Criminal Code (Law 1/2023 or the new Criminal Code) or *Undang-Undang Republik Indonesia Nomor 1 Tahun 2023 tentang Kitab Undang-Undang Hukum Pidana. Law 1/2023*, or the new Criminal Code, which was ratified on December 2, 2023, will come into effect in 2026.

According to UNCAC (n.d.), the implementation of the function of corruption law in public companies is as follows: 1) Efforts to criminalize forms of corruption and enforce related laws effectively are key to efforts to combat corruption and overcome its negative impacts; and 2) Preventive efforts to combat and help overcome corruption before it causes serious negative consequences and help address its root causes (UNCAC, n.d.). Based on the previous, it can be interpreted that

the Indonesian corruption law is a law on efforts to criminalize and prevent various forms of dishonest or fraudulent behavior related to abuse of authority for personal gain, especially in public office but also potentially in the private sector due to the inability of directors and commissioners to apply the principles of good corporate governance. For example, implementing a compliance audit function as part of the business process and also as a company value. This revolves around inappropriate behavior that damages public trust and justice. Such inappropriate behavior that damages public trust and justice has the potential to cause losses to state finances or the economy as outlined in Law 31/1999 in conjunction with Law 20/2001, which states that corruption, in a legal context, is a criminal act involving unlawful acts, abuse of authority or position, and enriching oneself or others, which includes various acts such as bribery, embezzlement, extortion, and fraudulent activities (fraud), which are all considered criminal acts that can be prosecuted. Therefore, the purpose of the Indonesian corruption legal framework is to prevent and punish corruption through a combination of laws, institutions, and international cooperation based on the principles of good corporate governance. According to [Tijow & Hayat \(2021\)](#), good corporate governance (GCG) is a system that regulates and controls a company to achieve its goals, including the principles of transparency, accountability, responsibility, independence, and equality. GCG aims to minimize and even avoid acts of abuse of authority by leaders or directors in managing companies and organizations ([Karsono, 2023](#)).

### 3. Methodology

The research methodology used in this study is a juridical-normative approach, and this type of research utilizes qualitative research with a descriptive approach. [Marzuki \(2002\)](#) explains that normative legal research uses secondary data, divided into three legal sources: primary legal sources, secondary legal sources, and tertiary legal sources. This means that even if interviews or questionnaires (things outside of these three legal sources) are used, they are only supporting data ([Christiawan, 2023](#)). However, both interviews and questionnaires were used as a guide to explain the focus, rigor, and relevance of this qualitative research by highlighting its role in dissecting complex social phenomena and providing in-depth human-centered insights and to examine the rationale for using qualitative methods, underscoring their importance ([Lim, 2024](#)). According to [Lim \(2024\)](#), the exploration of the methodology's strengths, such as its ability to offer contextual depth and holistic perspectives, coupled with challenges such as limited generalizability and potential researcher bias, is accompanied by practical mitigation strategies, namely covering the spectrum of qualitative approaches, including grounded theory, phenomenology, ethnography, action research, and general inquiry. This guide highlights a variety of data collection and analysis techniques.

According to [Christiawan \(2023\)](#), primary legal materials in normative legal research are laws and court decisions (including, in this case, the Constitutional Court's decision). Meanwhile, secondary legal materials are legal materials con-

sisting of textbooks written by influential legal experts, legal journals, and others (Ibrahim, 2008). Primary data sources are data obtained directly from the source, either through interviews, observations, or reports in the form of unofficial documents, which are then processed by researchers. While the descriptive qualitative approach is intended to collect information about an existing symptom, namely the condition of the symptom according to what it is when the research is conducted (Arikunto, 2002). The data collection technique used in this study is library research to obtain secondary data by studying literature, laws and regulations, theories, opinions of scholars, and others obtained using interview techniques. Then, data analysis in this study will be carried out qualitatively (Abdurrahman, 2009). Furthermore, all data is selected and processed, then analyzed descriptively so that, in addition to describing and expressing, it is expected to provide solutions to the problems in this study.

Thus, the juridical-normative and qualitative descriptive approaches in this study are intended so that researchers can find out and describe what and how the problems regarding the implementation of the Compliance Audit function in State-Owned Enterprises (SOEs) through the Lens of Indonesian Corruption Law and try to reveal data to provide solutions. Therefore, the systematics of this study are consecutively in line with the formulation of research problems that discuss: Implementation of the Compliance Audit function in State-Owned Enterprises (SOEs) through the Lens of Indonesian Corruption Law; Optimization of the implementation of the Compliance Audit function to prevent criminal acts of corruption in State-Owned Enterprises (SOEs) through the Lens of Indonesian Corruption Law; and Optimization of the implementation of the Compliance Audit function to eradicate criminal acts of corruption in State-Owned Enterprises (SOEs) through the Lens of Indonesian Corruption Law and this article ends with conclusions and suggestions described as in Figure 1 below as follows:



**Figure 1.** Optimizing the implementation of compliance audit functions in state-owned enterprises: An analysis through the lens of Indonesian corruption law.

### 3.1. Implementation of Compliance Audit Function in State-Owned Enterprises

Inefficiencies in state-owned enterprises (SOEs) often stem from weak governance structures, tending to lack an effective compliance audit function. These deficiencies can manifest as inadequate internal controls, limited transparency, and poor risk management, ultimately leading to poor financial performance and even financial crises. The impacts of an ineffective compliance audit function include the following: 1) Increased Risk of Non-Compliance—Without a strong compliance audit function, SOEs are more vulnerable to violations of laws, regulations, and internal policies; 2) Financial Losses—Non-compliance can result in financial losses, fines, and legal costs, which cause significant financial losses for SOEs; 3) Damage to Company Value and Reputation—Public disclosure of non-compliance can be very damaging to reputation and value, negatively impacting the SOE's public image and potentially impacting stakeholder trust and investment; and 4) Operational Disruptions—Non-compliance can cause operational disruptions and inefficiencies, which impact the overall productivity and business performance of SOEs.

Referring to various corruption cases committed by directors of state-owned enterprises in Indonesia, it can be interpreted that the problem of weak good corporate governance in various state-owned companies tends to occur with the weak implementation of the compliance audit function in state-owned enterprises. The compliance audit function in state-owned enterprises can be identified as follows: 1) Weak Internal Control System (ICC)—ICC in SOEs often does not function optimally due to various factors, such as lack of independence, limited resources, or lack of support from top management, and limitations in conducting compliance audits on all aspects of SOEs operations, including procurement of goods and services and financial management, become loopholes for corrupt practices; 2) Lack of Implementation of Good Corporate Governance (GCG)—Inconsistent and transparent implementation of GCG opens up opportunities for corrupt practices and abuse of authority, and lack of transparency in decision-making, financial management, and performance reporting becomes a challenge in implementing GCG; 3) Ineffective implementation of Compliance Audits—Compliance audits conducted are only formalities and not in-depth, so they are unable to detect early on corrupt practices that occur and lack of coordination between ICC, the Audit Board of Indonesia, and law enforcement officers in conducting compliance audits and handling corruption cases; and 4) Impact on Public Trust and Investment—Corruption in SOEs can reduce public trust in the government and related institutions and reduce the interest of domestic and foreign investors to invest in Indonesia and Corruption can also hinder economic development and public welfare because funds that should be used for the public interest are instead misappropriated. The definition of corruption in the context of BUMN refers to abuse of authority, embezzlement of state assets, extortion, gratification, or other fraudulent acts committed by SOEs officials or employees for personal or group inter-

ests.

Therefore, it is necessary to make efforts to strengthen the governance structure through the implementation of compliance audit functions in state-owned enterprises through the lens of Indonesian corruption laws by increasing transparency and accountability, strengthening good corporate governance structures (including independent boards and audit committees), and promoting transparency in financial reporting and decision-making processes. In this way, efforts to improve the quality of business processes and business operations of SOEs can be held accountable for their actions and performance. This transparency helps prevent unethical behavior and reduces the risk of fraud and corruption. 1) Improving Regulatory Compliance—Strong governance ensures that SOEs comply with relevant laws, regulations, and ethical standards. Effective oversight mechanisms, such as internal audits and risk management frameworks, help identify and mitigate potential compliance risks. By embedding these practices into their operations, SOEs can improve their compliance and build trust with regulators and stakeholders; 2) Improving Stakeholder Trust—Strong governance practices build trust and confidence among stakeholders, including shareholders, investors, employees, and the community. When SOEs demonstrate a commitment to ethical behavior and good corporate governance, it signals a responsible and trustworthy organization. This trust is essential for attracting investment, retaining talent, and maintaining a positive public image; and 3) Enhancing Effective Compliance Audit Implementation—A strong governance structure provides a supportive environment for an effective compliance audit function. An independent oversight body, such as an audit committee, can provide independent assurance and evaluate the effectiveness of the internal control framework. Internal auditors can play a critical role in evaluating governance processes and identifying areas for improvement. By fostering a culture of accountability and transparency, strong governance can improve the quality and effectiveness of compliance audits. In the context of Indonesian SOEs.

According to [Zoho Corporation Pvt. Ltd. \(2025\)](#), compliance audits have several important functions, including the following: 1) Risk management—By conducting compliance audits, companies can identify security vulnerabilities and reduce the risk of causing legal sanctions, operational disruptions, or damage to the company's reputation; 2) Regulatory compliance—Compliance audits verify that a company's operations comply with local, national, and international regulations, which is important to avoid legal consequences; 3) Better business practices—Through compliance audits, companies can identify inefficiencies, outdated procedures, or areas where processes do not meet regulatory standards, which drives continuous improvement; 4) Stakeholder confidence—Regular compliance audits increase transparency and accountability, building trust among customers, partners, regulators, and investors; and 5) Identifying areas of non-compliance—An important aspect of conducting a compliance audit is identifying policies, processes, controls, and documentation that do not comply with regulatory require-

ments. Once these areas are identified, corrective actions must be implemented to address the gaps, and this approach helps companies avoid potential legal sanctions or operational setbacks so that companies can improve their compliance culture and make continuous improvements. In line with this view, the implementation of the Compliance Audit function in Indonesian SOEs from the perspective of Indonesian corruption law is as follows: *First*. Proof Function and Initial Evidence Outside the Criminal Justice Process—The existence of corruption and the results of the compliance audit will be initial evidence, which will then become evidence in the corruption criminal justice process; and *Second*. Prevention Function—The results of the compliance audit can be the basis for stopping the wrong business process according to the law; namely, the wrong business process is protected from conditions that are detrimental to the company illegally or against the law.

Then, the implementation of a compliance audit of Standard Operating Procedures (SOP) in State-Owned Enterprises (SOEs) aims to assess whether various units and employees within the company have complied with the established SOPs. SOP is a document that explains daily operational activities with the aim that work can be carried out properly, accurately, and consistently according to established standards (Kosasih, 2021). The policies that have been set must be implemented correctly by all employees so that the company's targets, both those related to employees and clients, can be achieved optimally. According to Apriyanti & Santosa (2015), SOP includes seven main aspects, namely: 1) Efficiency, namely the ability to complete tasks without wasting time and resources; 2) Consistency, as provisions that can be calculated precisely; 3) Minimizing errors; 4) Solving problems with clear rules; 5) Protecting workers from potential problems; 6) Having regularity, having a work map to guide activities neatly; and 7) Having work guidelines as a step to respond if there is an inspection from the government or client. In this context, compliance audits aim to ensure that all activities are in accordance with the provisions and internal guidelines stated in the SOP. The goal is to identify deviations from the SOP, thereby ensuring compliance and efficiency in all departments. Then, compliance audits are essential to maintain operational consistency, mitigate risks, and ensure that the company follows the rules set, improving overall performance and governance.

Standard Operating Procedure (SOP) is an internal regulation that functions to maintain consistency in working according to standards that have been considered correct and good for the company. The U.S. Environmental Protection Agency (2007), defines SOP as a set of written instructions that document routine or repetitive activities followed by an organization. SOP is a work reference created as an efficient, effective and accountable way of working in the form of a series of step-by-step instructions for carrying out routine activities that must be followed in the same way at all times to ensure that the organization remains consistent and complies with industry regulations and business standards (Hashemi-Pour, 2024). The relationship between SOP and compliance audit is closely related

because SOP provides a framework for consistent operations, and compliance audits verify whether the procedures are followed and effective. In other words, SOP is the basis for compliance, and audits ensure that the basis is solid and maintained. Compliance audits are one of the audits that are always carried out periodically in every SOEs company. Compliance audits as routine periodic audit activities should be audits that are useful in providing added value to SOEs companies. One of these added values is being able to prevent corruption in SOEs companies. Compliance audits should be a necessity rather than a periodic routine burden. This need is in the interest of ensuring compliance as part of the business process and is also beneficial to the company's value.

Furthermore, referring to several interview results conducted with 3 (three) informants in this study, these are things outside the three primary, secondary and tertiary legal materials and are only supporting in nature (Christiawan, 2023). Interviews were conducted by the author in June 2025 in Jakarta-Indonesia regarding the implementation of the compliance audit function in State-Owned Enterprises in Indonesia with 3 (three) informants, as compliance audit practitioners in Indonesia, including: 1) Igor Maninjo (Audit Committee Practitioner & Audit Training Instructor); 2) Akbar Anwar (Audit Committee Practitioner & Former Auditor of the Financial and Development Audit Agency and Audit Training Instructor); and 3) Edi Alphian (An Expert Auditor and Head of the Internal Audit Unit), and the results are as follows:

1) Igor Maninjo Audit Committee Practitioner & Audit Training Instructor: Igor Maninjo stated that the compliance audit function can maintain order in business processes; companies can reduce these risks and increase operational efficiency and effectiveness. According to Igor Maninjo, if you do not maintain order in business processes and company values, it has the potential to cause: Operational Inefficiency—Without order, business processes can be inefficient, causing wasted time and resources.; Decreased Product or Service Quality—Irregular processes can result in inconsistencies in products or services, negatively impacting customer satisfaction; Errors and Financial Losses—Irregular processes tend to increase the likelihood of errors. This can lead to financial losses and the need for additional spending to correct errors.; Compliance Risk—Order in business processes is important to comply with industry regulations and standards. Non-compliance can result in legal sanctions and reputational losses; Impact on Employee Morale—An unstructured work environment can cause confusion and frustration among employees, which in turn can reduce productivity and increase turnover.; Corporate Reputation—Poor organization can result in a lack of trust from clients, business partners, and stakeholders, which can harm the company's reputation; Difficulty in Decision Making—Unorganized data and information make it difficult to conduct proper analysis, thus hampering strategic decision-making; and Inability to Adapt—Unorganized processes make it difficult for companies to adapt to changing market or business conditions and weaken competitiveness.

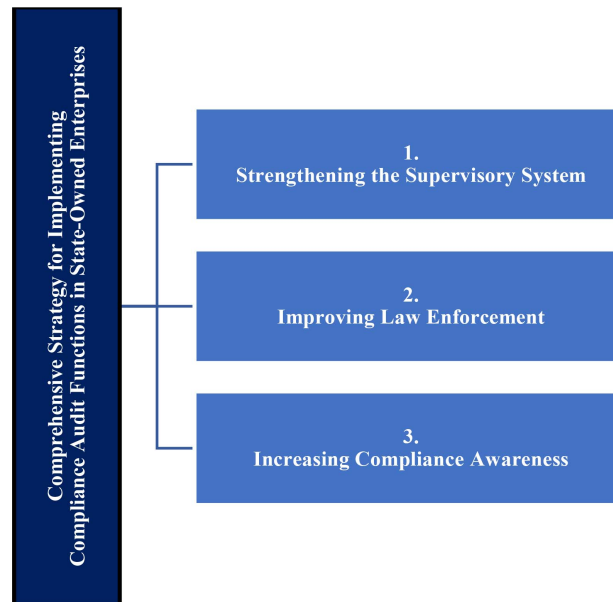
2) Akbar Anwar—Audit Committee Practitioner & Former Auditor of the Republic of Indonesia’s Financial and Development Audit Agency, and Audit Training Instructor. Akbar Anwar states that it must be distinguished between Obedience and Compliance. According to Akbar Anwar, obedience is the behavior of behavior in existing rules, such as a legal bureau that is always focused on regulations. While compliance is about risk management, focus on achieving goals, it is not about white and black. Compliance is regarding regulations in the form of regulations which are past products so that it can be at a certain point that the regulations are not enough and are not appropriate to control the latest risks and need to be violated based on risk analysis and continue to meet the principle of loyalty, there is no conflict of interest and then change the regulation for the next activity. This will encourage creativity, new methods, new products and continue to grow.

3) Edi Alphian—An Expert Auditor and Head of Internal Audit Unit: Edi Alphian stated that there are several challenges in implementing the compliance audit function in state-owned enterprises, including the following: Support from the CEO, who usually, when faced with the interests of the business team and the control team, more often intervenes with the control team/SPI. While the auditor has identified the potential for fraud that will occur; Bargaining position of the Internal Supervisory System, which needs support from the Commissioner in order to carry out preventive audits; Auditor competence in conducting preventive audits, in this case, must be able to distinguish the audit process in the context of post ante with the preventive audit process; and Knowledge of the Internal Supervisory System) in understanding risk management (especially risk identification) from the business process.

From these three informants, constructive information was obtained regarding the implementation of the compliance audit function in Indonesian SOEs. In this case, solutions are needed to strengthen supervision, law enforcement, and the compliance audit function within Indonesian State-Owned Enterprises (SOEs). Therefore, a comprehensive strategy is needed that includes strengthening the oversight system and fostering a culture of compliance in Indonesian SOEs, as described in **Figure 2** below.

Referring to **Figure 2**, it can be described as follows:

1) Strengthening the Internal Control System (ICS)—The internal control system is very important for organizational efficiency and encourages compliance with the Law (norms and rules), and organizational effectiveness is significantly influenced by three dimensions of the internal control system: control activities, control environment and risk assessment (Otoo et.al., 2023). The main objectives of ICS are to ensure effective and efficient operations, reliable financial reporting, and compliance with laws and regulations (Younas & Veerasamy, 2024). SPI can help to improve the capabilities of modern and dynamic audit organizations in the SOEs environment by: 1) Implementing strategic, anticipatory, and responsive audit quality improvements to state financial audits; 2) Strengthening regulatory



**Figure 2.** Comprehensive strategy for implementing compliance audit functions in state-owned enterprises.

and legal aspects in state financial audits and resolving state losses; 3) Encouraging Good Corporate Governance of SOEs that are professional, transparent, and efficient; 4) Ensuring that SOEs decisions and actions are based on high moral values and compliance with laws and regulations; 5) Strengthening Internal Control to conduct assessments and provide suggestions to improve the internal control system in SOEs; and 6) Integrating Supervision with Stakeholders to optimize resource management and collaborate with stakeholders in supervision efforts;

3) Improving Law Enforcement—A well-structured Internal Control System (ICS) can help in detecting and preventing corruption and unlawful behavior, and to ensure that the organization’s operational services and business processes are in accordance with its objectives (Bajramspahić, n.d). In this regard, ICS can help to: 1) Ensure strong law enforcement agencies and effective oversight mechanisms; 2) Coordinate law enforcement to improve coordination between various law enforcement agencies and regulatory agencies; 3) Promote ethical legal action to encourage law enforcement officers to consider humanitarian values, empathy, and local wisdom in their actions; and 4) Adapt to progressive law to be used as a flexible and empathetic approach that considers the broader context and social impact of legal actions;

4) Increase Legal Compliance Awareness: The role of internal control systems (ICS) and good corporate governance can help prevent fraud (Yulianti et.al., 2024). This can be done in the following ways: 1) Promote a culture of compliance, foster a legal culture that emphasizes social responsibility and sustainability; 2) Improve legal education, provide higher legal education and awareness to the community and businesses; 3) Encourage voluntary compliance, promote voluntary compliance through education and efforts to raise awareness.

5) Integrating CSR, ensuring that the company implements a structured and measurable corporate social responsibility (CSR) program. The purpose of the internal control system (ICS) is to promote healthy corporate operations, ensure the reasonable effectiveness and efficiency of these operations, and report on reliability, timeliness, transparency, and compliance with relevant laws and regulations and other purposes (Liu, 2018). According to Liu (2018), a good ICS will not only improve the efficiency of the company's operations, but also reduce risks if the company incorporates the principles of corporate social responsibility into its ICS objectives, and the objectives are as follows: 1) Implementing an effective ICS will be able to meet the expectations of stakeholders; and 2) To avoid major incidents of neglecting corporate social responsibility, which results in insignificant company losses, so that strengthening internal control is needed to overcome various problems and directing companies to prioritize social responsibility is the most important problem faced by society today.

Based on the various previous descriptions, it can be interpreted that the implementation of the compliance audit function in SOEs in Indonesia still faces various complex challenges. In general, Indonesia has implemented regulations and systems to encourage good corporate governance (GCG) in SOEs. However, many SOEs face challenges due to poor governance practices, which cause problems such as corruption and inefficiency. To overcome this problem, efforts are needed to improve internal and external monitoring systems, increase auditor independence, enforce strict and effective laws, and increase transparency and accountability in SOEs management. In addition, public participation in reporting corrupt practices is also very important to create clean and corruption-free SOEs governance. Therefore, implementing adequate corporate governance techniques in SOEs is very important, which is in accordance with its characteristics. For example, the incorporation of the comply-or-explain principle, the introduction of a code of best practices in the process of appointing public managers, and others (Vicente, 2020). Therefore, strengthening the governance structure is very important to overcome this problem and ensure the success of SOEs. By prioritizing good governance, Indonesia can improve SOEs performance, attract investment, and contribute to economic growth.

Thus, the purpose of optimizing the implementation of the compliance audit function in state-owned enterprises in Indonesia through the lens of Indonesian corruption law is to ensure the implementation of good corporate governance in order to prevent and eradicate criminal acts of corruption. In this context, it is necessary to strengthen the supervision system and effective law enforcement and increase awareness of the importance of compliance with applicable laws and regulations in Indonesia. The recommended improvement efforts are that Indonesian SOEs are expected to strengthen and improve good corporate governance and the implementation of the compliance audit function in State-Owned Enterprises (SOEs) through the lens of Indonesian corruption law. These efforts aim to improve business processes and company values with a focus on compliance that

is prioritized at the leadership level. These efforts will have a positive impact on all Indonesian SOE organizations to strengthen and comply with all applicable rules and regulations.

Therefore, efforts are needed to strengthen the governance structure through effective compliance audits at the leadership level in Indonesian State-Owned Enterprises (SOEs). The rationale is that such efforts will create a foundation for transparency, accountability, and ethical behavior, which are essential to prevent fraud and misconduct, ensure regulatory compliance, and build stakeholder trust. Governance mechanisms serve as effective guidelines for independent boards and audit committees to help formalize the decision-making process and establish necessary checks and balances, which are ultimately expected to improve the integrity of financial reporting and promote good corporate governance overall to prevent and eradicate corruption in SOEs through the lens of Indonesian corruption law.

### **3.2. Optimization the Implementation of the Compliance Audit Function through the Lens of Indonesian Corruption Law to Prevent Criminal Acts of Corruption in State-Owned Enterprises**

Good corporate governance (GCG) is a concept that refers to the process of achieving decisions and their implementation that can be collectively accounted for (Sutawikara et al., 2021). Corporate governance (GCG) establishes a framework for how a company operates, defining the responsibilities, rights, and obligations of all parties involved, including shareholders, the board of directors, management, and other stakeholders interested in the company's activities (Endah et al., 2020). According to Endah et al. (2020), its main objective is to ensure fair and transparent operations, promote accountability and ethical behavior within the organization, and effectively GCG helps protect the interests of all stakeholders and contributes to the long-term success and sustainability of the company. However, empirically, the problem of inefficiency in SOEs often reflects weak governance, and one aspect that is affected is the implementation of the compliance audit function. Compliance audits that do not function effectively can cause various problems, such as waste of resources, corrupt practices, and non-compliance with applicable regulations. Poor corporate governance is at the heart of poor performance of state-owned enterprises (SOEs) worldwide, and in many countries, previous SOE reform efforts have failed to deliver sustained improvements in performance because they have not fully addressed the core governance deficiencies of SOEs—multiple and conflicting objectives, excessive political interference, and opacity (Wong, 2004).

Wong (2004) identified three problems in the implementation of corporate governance (GCG) in SOEs, namely a lack of transparency, excessive political intervention, and diverse and conflicting objectives. Meanwhile, Vagliasindi (2008) has identified several major problems in the management of SOEs, which make it difficult for SOEs to clearly define their objectives. In line with the opinions of

Wong (2004) and Vagliasindi (2008), Dragomir et al. (2021) stated that the failure of GCG implementation in SOEs is caused by political intervention, the emergence of conflicts of interest, agency relationships, and a lack of trust between interested parties. For example: 1) Interfering in investigations, politicians can try to stop or influence investigations into corruption or mismanagement; 2) Targeting specific individuals, auditors can be the target of investigations or harassment for their work in politically sensitive cases; and 3) Exploiting the procurement process, politicians can use their influence in procurement to benefit certain companies or individuals, which has the potential to lead to corruption. Therefore, to address this condition, efforts are needed to overcome it. The main obstacles in implementing the compliance audit function in Indonesian State-Owned Enterprises (BUMN) are related to political interference, for example, as follows: 1) Strengthening auditor independence, including legal protection, secure funding, and ensuring auditors can report directly to the legislature or parliament; 2) Encouraging transparency, making audit reports public and accessible to citizens is very important; 3) Enforcing accountability, implementing recommendations from audits, and holding those responsible for violations accountable is very important; and 4) eradicating corruption and tackling corruption at all levels of government is very important to reduce incentives for political intervention.

Adams et al. (2010) stated the importance of the composition, structure, and function of the board in determining governance outcomes that include several factors; for example, those related to the independence of the board of directors, diversity, expertise, and leadership have been identified as important determinants related to board effectiveness and organizational performance. Therefore, efforts are needed to strengthen good corporate governance through the implementation of effective compliance audits as the key to improving efficiency, accountability, and transparency in SOEs in Indonesia. Strengthening good corporate governance (GCG) through effective compliance audits is essential to improving efficiency, accountability, and transparency in state-owned enterprises (SOEs) in Indonesia. This approach ensures that SOEs operate with integrity and fulfill their responsibilities to stakeholders. Here are the reasons why this is important:

1) Increased Efficiency—Streamlined Processes—Effective compliance audits help identify inefficiencies and redundancies in SOE operations, leading to streamlined processes and optimal resource allocation;

2) Improved Decision Making—A robust GCG framework, including compliance audits, ensures that decisions are made with transparency and based on good information, leading to better outcomes;

3) Increased Accountability—Clear Responsibilities: The GCG framework clearly defines roles, responsibilities, and reporting lines within SOEs, making it easier to hold individuals and departments accountable for their actions; and

4) Reduced Corruption—Implementing a compliance audit function helps prevent corruption, collusion, and nepotism (CCN) by promoting transparency and

accountability in procurement and other operations.

According to [Monks and Minow \(2011\)](#), the importance of good corporate governance is in ensuring that management and directors act in the best interests of shareholders and other stakeholders, thereby encouraging transparency, accountability, and ethical leadership or ethical behavior of leaders in the organization. According to experts in [Serang et al. \(2024\)](#), ethical leadership has a positive and significant effect on ethical culture, employee well-being, performance, and employee work engagement and innovation when they feel that the work environment contributes to the values to carry out important tasks according to their responsibilities. Ethical leadership is defined by experts in [Sutawikara et al. \(2021\)](#) as a leader who is able to demonstrate appropriate normative behavior through personal actions and relationships, instilling, motivating, and equipping employees with a sense of responsibility, and practicing open communication to influence employees in achieving organizational goals. Therefore, ethical leadership is very much needed to improve effective monitoring mechanisms in carrying out the company's business processes in accordance with GCG principles, especially in terms of implementing compliance audit functions. An effective monitoring mechanism in terms of implementing the compliance audit function to prevent corruption in SOEs through the lens of Indonesian corruption law aims to ensure compliance with the corruption law, strategic objectives, risk tolerance, and ethical standards. A strong monitoring mechanism, including a strong internal control system and external oversight, helps prevent corrupt practices, detect deviations early, and encourage accountability within SOEs.

Then, the details of implementing the compliance audit function to prevent corruption in SOEs through the lens of Indonesian corruption law are as follows:

1) Corruption Prevention—Monitoring mechanisms, particularly compliance audits, act as a deterrent by increasing the risk of detection and punishment of corrupt acts. Regular audits can identify potential vulnerabilities in internal controls and procedures, allowing for timely corrective action;

2) Compliance with Strategic Objectives—Monitoring ensures that SOE activities are aligned with its strategic objectives and contribute to the overall goals of the organization. This includes tracking performance indicators, evaluating project effectiveness, and identifying deviations from planned strategies;

3) Risk Management—Compliance audits help assess and manage the risks associated with various activities, ensuring that SOEs operate within defined risk tolerance levels. This involves identifying, evaluating, and mitigating potential risks, including those related to corruption;

4) Ethics and Compliance Standards—Monitoring mechanisms, including codes of conduct and ethics training, reinforce ethical behavior and compliance with relevant laws and regulations. This includes ensuring transparency, accountability, and fair business practices within the organization;

5) Accountability—Monitoring mechanisms establish clear lines of responsibility and accountability for all levels of the organization. This helps ensure that in-

dividuals are held accountable for their actions and that appropriate disciplinary action is taken in cases of violation;

6) Indonesian Corruption Law—Indonesia's Corruption Law (Law No. 31/1999 and its amendments) outlines the legal framework for preventing and combating corruption. Monitoring mechanisms in Indonesian SOEs should be designed to comply with the provisions of this law and ensure that all activities are conducted within the bounds of the law;

7) Oversight Bodies—The role of oversight bodies, such as the Board of Commissioners and the Audit Committee, is critical in overseeing the monitoring mechanisms and ensuring their effectiveness. These bodies should have the authority and independence to conduct audits, investigate allegations of corruption, and recommend corrective actions. [Hermalin and Weisbach \(2003\)](#) state that the board of directors plays a critical role as the primary oversight body in an organization. Referring to the Republic of Indonesia Law Number 19 of 2003 concerning State-Owned Enterprises (Law 19/2003), hereinafter referred to as SOEs, SOEs is divided into three categories, namely Public Companies (General Companies), Limited Liability Companies, and Public Limited Liability Companies (Public Limited Liability Companies). In this context, the responsibilities of the board of directors as the main supervisory body in the organization include monitoring managerial performance, providing strategic guidance, and safeguarding the interests of shareholders by prioritizing better corporate governance principles, including the implementation of compliance audit functions, transparency, increasing company value, and the existence of public supervision, especially for SOEs companies that conduct public offerings on the capital market. According to [Geddes \(2003\)](#), there are five benefits for companies that conduct public offerings on the capital market, namely: 1) Can increase company value; 2) Can build stable and broad ownership; 3) Can improve the company's image; 4) The company has the opportunity to obtain better funding in the future; and 5) Obtaining convenience in maintaining liquidity, especially in the secondary market;

8) Public Participation—Public participation in monitoring SOE activities can also play a role in preventing corruption. Transparency in reporting and access to information can empower citizens to hold SOEs accountable for their actions.

In essence, an effective monitoring mechanism, including compliance audits, is an important tool for SOEs to prevent corruption, ensure ethical behavior, and operate in accordance with their strategic objectives and legal requirements. Therefore, optimizing the implementation of the compliance audit function to prevent criminal acts of corruption in SOEs through the lens of Indonesian corruption law can be done by strengthening good corporate governance (GCG). Strengthening GCG through the implementation of an optimal compliance audit function is very important for SOEs (State-Owned Enterprises) in Indonesia to prevent corruption and improve efficiency, accountability, and transparency, as well as implement a strong internal control system (ICS), including the internal audit function, which is aimed at detecting and preventing fraud and corruption in SOEs. The following is a description as described in [Table 1](#) below:

**Table 1.** Optimization of compliance audit function to prevent corruption in Soes through the lens of Indonesian corruption law.

No	Strengthening Good Corporate Governance	Goals and Benefits
1.	<b>The Importance of GCG and Compliance Audits</b>	<p>1) Preventing Corruption—GCG principles, when implemented effectively, create a framework that minimizes opportunities for corruption by promoting transparency, accountability, and ethical behavior.</p> <p>2) Increasing Efficiency and Accountability—GCG ensures that SOEs operate efficiently and are accountable for their actions, leading to better resource management and improved performance.</p> <p>3) Building Trust and Transparency—Transparency in operations and decision-making, fostered by GCG, builds trust with stakeholders, including investors, employees, and the community.</p> <p>4) Strengthening Internal Control Systems—Strong internal control systems, including regular compliance audits, are essential to identifying and mitigating risks, including fraud and corruption.</p>
2.	Role of Compliance Audit	<p>1) Fraud Detection—Compliance audits are an important tool to detect potential fraud and corruption by examining financial transactions, operational procedures, and regulatory compliance.</p> <p>2) Risk Mitigation—Audits help identify weaknesses in internal controls and processes, allowing corrective actions to be taken and preventing future fraud and corruption.</p> <p>3) Ensuring Regulatory Compliance—Audits ensure that SOEs comply with all relevant laws and regulations, including those related to anti-corruption.</p> <p>4) Encouraging Ethical Behavior—By reviewing compliance with codes of conduct and ethical guidelines, audits contribute to fostering a culture of integrity and ethical behavior within the organization.</p>
3.	Optimizing Audit Functions	<p>1) Regular and Comprehensive Audits—Conducting regular, comprehensive audits that cover all relevant areas of operations is essential.</p> <p>2) Independent and Qualified Auditors—Auditors must be independent, objective, and have the necessary expertise to effectively identify and assess risks.</p> <p>3) Clear Reporting and Follow-up—Audit findings must be clearly communicated, and appropriate follow-up actions must be taken to address identified weaknesses and prevent recurrence.</p> <p>4) Integration with Governance Structure—Compliance audits must be integrated into the overall GCG framework, with clear lines of responsibility and reporting.</p>
4.	Applying the Indonesian Corruption Law Perspective	<p>1) Understanding the Legal Framework—SOEs must be aware of the specific provisions of the Indonesian Corruption Law and ensure that their operations are aligned with these requirements.</p> <p>2) Legal Compliance Integration—Compliance audits should include a review of compliance with the Corruption Law and other relevant regulations.</p> <p>3) Liability for Corruption—SOEs can be held accountable for acts of corruption committed by employees or individuals within their organization, so proactive prevention is essential. By strengthening good corporate governance through optimized compliance audits and implementing a robust internal control system, SOEs in Indonesia can effectively prevent corruption, improve operational efficiency and transparency, and build a strong foundation for sustainable growth.</p>

**Source:** The author tested conditional propositions for truth through this research, and the results can be utilized to develop theories or confirm existing ones (processed).

Referring to **Table 1** above, it can be interpreted that this approach helps formalize business processes, build checks and balances, and increase accountability and transparency. Optimizing the implementation of the compliance audit function in State-Owned Enterprises (SOEs) through the lens of Indonesian corruption law to prevent corruption can be done by focusing on strengthening internal control, increasing transparency, and promoting ethical behavior within SOEs, while aligning it with the framework of the Indonesian Corruption Law. By implementing these steps, Indonesia aims to create a stronger and more transparent environment within SOEs, minimize opportunities for corruption, and ensure efficient use of public resources. This view is in line with *Szarzec et al. (2021)*, who stated that SOEs on economic growth is highly dependent on the level of institutional quality: the better the institutional environment, the more beneficial (less detrimental) the overall impact of state-owned enterprises. The level of institutional quality refers to the effectiveness and efficiency of institutions, including governance structures, legal systems, and regulatory frameworks, to encourage economic growth and development. Therefore, optimizing the implementation of good governance structures, strong legal and regulatory frameworks, and transparent accountability mechanisms is essential to ensure that Indonesian SOEs make effective contributions to national economic growth and development while operating in a fair and competitive market environment.

Based on the previous descriptions, optimizing the implementation of compliance audit functions in state-owned enterprises to prevent corruption through the lens of Indonesian corruption is interpreted as an effort to improve good corporate governance practices, improve reputation, and contribute to a more transparent and accountable business environment. Effective compliance audits help prevent corruption, reduce financial losses, and increase public trust in SOEs. Indonesian SOEs, as companies owned by the Indonesian government and playing an important role in the Indonesian economy, often act as agents of public policy and development. However, SOEs are vulnerable to corruption due to factors such as political influence, weak internal controls, and lack of transparency. In this context, optimizing the implementation of the compliance audit function in the form of strengthening the compliance audit function in SOEs is expected to contribute to the broader public goal of achieving good corporate governance and reducing, preventing, and eradicating corruption. To achieve this goal, the audit committee is expected to play an important role in overseeing the implementation of the compliance audit function and ensuring that recommendations for improvement are implemented. The audit committee must be independent and have the necessary expertise to effectively monitor and evaluate SOEs compliance with relevant regulations and policies. Therefore, this approach focuses on ensuring that Indonesian SOEs comply with relevant laws, regulations, and internal policies, while identifying and addressing weaknesses in their operations that can be exploited for corrupt practices.

Thus, optimizing the implementation of compliance audit functions in state-

owned enterprises to prevent criminal acts through the lens of Indonesian corruption is aimed at preventing corruption by increasing transparency, accountability, and compliance with regulations. This effort is expected to provide several benefits to minimize opportunities for corrupt practices in SOEs, including: 1) Increasing transparency and accountability includes efforts to optimize audits that aim to increase the visibility of SOEs operations, encourage openness, and make officials more responsible for their actions. Strengthening and ensuring the implementation of compliance audit functions to relevant laws, regulations, and internal policies is very important in preventing corruption in order to prevent and reduce criminal acts of corruption. The implementation of compliance audit functions in SOEs will be able to identify and address potential risks to help prevent corruption before it occurs, saving SOEs and the state from financial and reputational damage; and 2) The implementation of compliance audit functions will result in better corporate governance overall, which encourages ethical behavior and responsible management based on the Indonesian Corruption Law, thus having an impact on increasing public trust in SOEs and the government. Therefore, the optimization of the implementation of the compliance audit function through the lens of Indonesian corruption must be reviewed and updated periodically to remain effective in addressing emerging corruption risks. This effort is expected to ensure that SOEs in Indonesia operate within the boundaries of the law and evolving legal requirements and will contribute to preventing and eradicating criminal acts of corruption.

### **3.3. Optimization of the Implementation of the Compliance Audit Function through the Lens of Indonesian Corruption Law to Eradicate Criminal Acts of Corruption in State-Owned Enterprises**

In general, the definition of a compliance audit is to ensure whether the business process is in accordance with applicable legal provisions, both public law and internal regulations. The meaning of this general understanding is not only that the compliance audit is not just matching the business process with the rules but more than that, ensuring whether the board of directors has acted in accordance with the provisions of the Republic of Indonesia Law Number 40 of 2007 concerning Limited Liability Companies (Law 40/2007). Article 97, paragraph 2, of Law 40/2007 stipulates that every member of the Board of Directors and Board of Commissioners must carry out their duties and responsibilities in good faith and with full responsibility for the interests and business of the company. In this case, Article 97, paragraph 2, of Law 40/2007 emphasizes that the Board of Directors and Board of Commissioners must act honestly and fairly and always prioritize the interests of the company in carrying out their duties. Based on good faith, the Board of Directors and Board of Commissioners must act with good intentions and honestly, without any bad intentions or deception to commit fraud. The Board of Directors and the Board of Commissioners are fully responsible for their actions in managing the company, both individually and collectively, and all their

actions must be directed to the interests and progress of the company, not to the interests of a particular person or group.

In the legal context in Indonesia, the full responsibility of the Board of Directors and Commissioners related to compliance audits has been regulated in Article 97, paragraph 2 of Law 40/2007, the principle of fiduciary duty. Fiduciary duty is the obligation of each member of the Board of Directors and the Board of Commissioners to act in good faith and with full responsibility for the interests of the Company. Violation of this article may result in the Board of Directors and the Board of Commissioners being personally liable for the losses incurred. Fiduciary duty is the obligation of an individual or organization that is trusted to act in the interests of another party with the skills and competence of a reasonable and prudent person (Boatright, 2015). Boatright (2015) states that fiduciary duty is relevant in business, especially to describe the responsibilities of those who are trusted with financial assets or with control of the company, especially officers and directors. The basis for this obligation is usually a contract by which a fiduciary agrees to serve the interests of another (Boatright, 2015). Furthermore, breaches of fiduciary obligations under Law Number 40 of 2007 concerning Limited Liability Companies in Indonesia can be proven through various legal mechanisms, including internal company documents, financial records, and witness testimony. Specifically, Articles 97 and 114 outline the fiduciary obligations of each director and commissioner, as well as their potential personal liability for company losses resulting from negligence or misconduct.

Referring to the previous description, a compliance audit is a step to maintain order, which is the full responsibility of the Board of Directors and Commissioners as regulated in Article 97, paragraph 2 of Law 40/2007, the principle of fiduciary duty. According to Iqbal & Ramos (2023), compliance audits are conducted by independent audit practitioners, and most have the following characteristics: 1) Based on a regulatory framework or requirements; 2) Evaluate the organization's position in depth based on the guidelines and requirements of the target framework or compliance regulations; 3) Conducted by an independent auditor or third party; and 4) Produce several types of final results, such as reports, assessments, or audit opinions. According to Pansy (2025), compliance audits find areas of non-compliance, help identify security or financial risks, and fill gaps that affect operational processes (Pansy, 2025). According to Pansy (2025), there are three types of compliance audits, namely internal, external, and supervisory audits, where the process includes identifying the scope, understanding internal controls, implementing risk assessments, and documenting evidence. According to Smith (2024), internal audits focus on the company's internal operations and processes supported by an audit committee to oversee internal auditors and provide advice for the next audit process so that it can cover high-risk areas (Cahyani & Soewarno, 2021). While external audits are independent audits of the company's external records to supervise by ensuring that the financial statements are presented fairly (Smith, 2024; Cahyani & Soewarno, 2021).

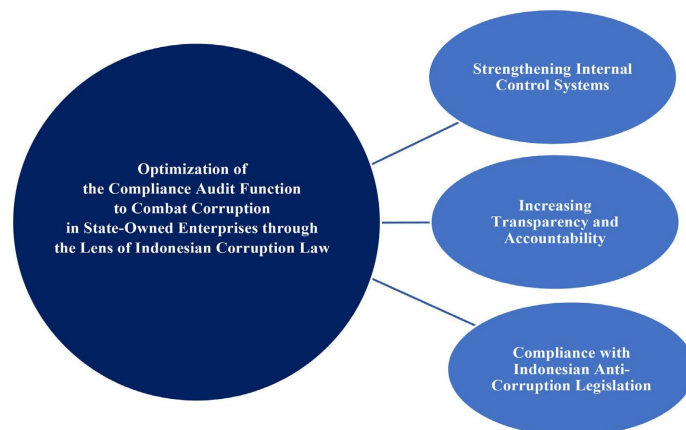
In general, SOEs was established with the aim of helping to build the community's economy in the field of life security in accordance with a targeted economy by paying attention to individual needs towards a just society within the framework of national economic development. However, ironically, corruption cases are rampant in Indonesian SOEs. According to the monitoring results of *ICW—Indonesia Corruption Watch (2022)*, the trend of prosecution of SOEs corruption cases throughout 2016-2021 shows that the SOEs environment is very vulnerable to corruption as follows:

1) The number of corruption cases investigated by law enforcement officers reached 119 cases with 340 suspects. At least 9 cases were recorded in 2016, 33 cases in 2017, 21 cases in 2018, 20 cases in 2019, 27 cases in 2020, and 9 cases in 2021; 2. Based on the data collected, 119 corruption cases in the SOEs environment caused state losses of up to IDR 47.9 trillion. Bribes of up to IDR 106.9 billion and money laundering crimes of IDR 57.86 billion were also found.

2) The state losses incurred from 2016 to 2021 were IDR 47.92 trillion, where the losses were generated by the distribution of at least 119 corruption cases that have been investigated by law enforcement officers in the SOEs environment; and

3) There are 83 corrupt actors with middle leadership backgrounds in SOEs; there are 76 employees/staff in SOEs monitored as corrupt actors in the SOEs environment; 51 corrupt actors have director positions in SOEs; and at least 40 corrupt actors in the SOEs environment can be classified as having other work backgrounds.

Data on cases and impacts of corruption tend to be rampant in Indonesian SOEs, so it is very necessary to optimize the implementation of compliance audit functions in SOEs through the lens of Indonesian corruption law to eradicate corruption. This can be done by increasing the implementation of good corporate governance in the form of 1) strengthening the Internal Control System (ICS), 2) increasing transparency and accountability, and 3) aligning with the Indonesian Corruption Crime Law as described in **Figure 3** below:



**Figure 3.** Optimization of the compliance audit function to combat corruption in state-owned enterprises through BumN through the lens of Indonesian corruption law.

Referring to **Figure 3** related to the optimization of the implementation of compliance audits in SOEs through the lens of Indonesian corruption law to eradicate corruption involves strengthening internal control, increasing transparency, and increasing accountability. This includes aligning audit procedures with the Corruption Eradication Law (Law No. 31 of 1999 Jo. Law No. 20 of 2001), especially regarding asset reporting and prevention of abuse of authority. The main strategies include implementing a strong internal control system (ICS), promoting the principles of good corporate governance (GCG), and conducting regular probity audits. The following are the details of the description:

1) Strengthening the Internal Control System (ICS): Compliance with ICS, SOEs must ensure that its internal control system is in line with Government Regulation No. 60 of 2008 concerning ICS. ICS aims to provide reasonable assurance regarding the effectiveness and efficiency of state administration, the reliability of financial reporting, the security of state assets, and compliance with laws and regulations. Key elements of SPI include control environment, risk assessment, control activities, information and communication, and monitoring activities. Meanwhile, the integration of ICS with GCG is related to the principles of Good Corporate Governance (GCG) to ensure that all operations are carried out with integrity, transparency, and accountability.

2) Increasing Transparency and Accountability: The implementation of the State Administrators' Wealth Report or *Laporan Harta Kekayaan Penyelenggara Negara* (LHKPN). for state administrators, including those in the BUMN environment, requires them to report their assets through the State LHKPN. This aims to conduct an asset audit of state administrators, including those in the BUMN environment, which must be carried out before, during, and after their appointment as mandated by Law of the Republic of Indonesia Number 28 of 1999 concerning Clean State Administration Free from Corruption, Collusion, and Nepotism. This law aims to realize a clean state administration free from corruption, collusion, and nepotism, and emphasizes the role of the community in these efforts. Then, related to transparency in procurement, integrity audits must be carried out during the procurement process to ensure transparency and accountability in public funds by involving independent supervisors carried out simultaneously with procurement activities, and the aim is to prevent fraud and ensure compliance with applicable regulations.

3) Aligning with the Indonesian Corruption Law—Audit procedures must be in line with the provisions of the Corruption Law (Law No. 31 of 1999, Jo. Law No. 20 of 2001) and various laws and regulations in force in Indonesia that aim to prevent abuse of authority. In this case, the function of compliance audits is to prevent abuse of authority, opportunities, or means that can harm state finances or the country's economy, as defined in Article 3 of Law 20/2001 concerning Corruption. Article 3 has an important role in eradicating corruption because 1) it protects state finances, preventing abuse of authority that can harm state finances; 2) it expands the scope of corruption crimes, not only ensnaring perpetrators who

directly enrich themselves but also those who use their positions to benefit other parties; and 3) it provides a deterrent effect, as there is a threat of a fairly severe punishment that is expected to prevent corruption. Then, from that, focus on the role of the Corruption Eradication Commission or *Komisi Pemberantasan Korupsi* (KPK). The KPK plays an important role in the implementation of LHKPN and investigation of corruption cases, and compliance audits must support the KPK's efforts by ensuring proper reporting and compliance with regulations.

Then, efforts are needed to strengthen the following areas, among others: 1) Implementing a strong internal control system (SPI); 2) Promoting the principles of good corporate governance (GCG); and 3) Conducting periodic probity audits so that SOEs in Indonesia will be able to improve their compliance with the Indonesian Corruption Crime Law. Probity audit or integrity audit can be defined as complete and confirmed integrity, honesty, and truth ([The State Government of Victoria, n.d](#)), According to [The State Government of Victoria \(n.d\)](#), upholding the highest standards of integrity and honesty aims to ensure that business activities and processes are implemented based on consistent, accountable, transparent, and auditable ethical behavior (eg: good record keeping, maintaining an audit trail, fairness in decision making, clear and honest communication, independent review and approval that can identify integrity issues, security and confidentiality of information, identifying and managing real, perceived, or potential conflicts of interest. Therefore, SOEs is expected to continuously and sustainably improve its internal control system and ultimately contribute to efforts to eradicate corruption in Indonesia as a whole.

Based on various previous descriptions, the optimization of the implementation of the compliance audit function to eradicate criminal acts of corruption in SOEs through the lens of Indonesian corruption law is by strengthening the internal control system (ICS), which includes several activities, including the following: First, Risk Assessment and Management Activities consisting of: 1) SOEs must periodically assess the risks of corruption associated with their operations and implement appropriate mitigation strategies; 2) Separation of duties ensures that key functions such as procurement, finance, and internal audit are separated to prevent any one person from having excessive control; 3) Protection for whistleblowers establishes a confidential and effective reporting system for suspected corruption, which protects whistleblowers from retaliation; 4) IT system control utilizes technology to improve transparency and control in financial transactions and other key processes, such as e-procurement systems. Second, activities to increase transparency and accountability consisting of 1) Data and reporting disclosure, publishing relevant financial information and audit reports to the public, and encouraging transparency in SOE operations; 2) Independent monitoring involves external stakeholders such as civil society organizations and independent auditors in monitoring SOE activities and reporting their findings; 3) GCG Implementation applies the principles of good corporate governance (GCG), including transparency, accountability, and responsibility, throughout the organization; and 4)

Integrity audit conducts probity audits during the procurement process to ensure integrity, fairness, and compliance with regulations; and Alignment with the Indonesian Corruption Law. Third, Training Activities consisting of: 1) Providing periodic training on Law 31/1999 as amended by Law 20/2001 for all employees, especially those in high-risk areas; 2) Internal policies, formulating and implementing internal policies that are in line with the provisions of the Corruption Law, especially those related to the crimes of bribery, embezzlement, and extortion; 3) Cooperation with law enforcement, establishing good relations with law enforcement officers to facilitate investigations and prosecutions of corruption cases involving SOEs; and 4) Encouraging a culture of integrity, fostering a corporate culture that prioritizes ethical behavior, integrity, and zero tolerance for corruption.

Thus, optimizing the implementation of the compliance audit function to eradicate corruption in SOEs through the lens of Indonesian corruption law aims to increase transparency, accountability, and legal compliance, which ultimately reduces the opportunities for corruption and improves state financial recovery. This involves strengthening internal control, encouraging ethical behavior, and ensuring that audit practices are in line with the principles of the Corruption Eradication Law. The purpose and benefits are expected to reduce the opportunities for corruption because with the implementation of the compliance audit function and the existence of strong internal control, it is expected to minimize the opportunities for fraud and corruption activities in SOEs. The implementation of the compliance audit function and internal control will increase the accuracy and frequency of audits, where the process can increase transparency in financial transactions and operational procedures, which makes individuals and entities accountable for their actions. Therefore, the implementation of an effective compliance audit function can identify misused funds and assets, allowing the state to recover losses incurred due to corruption, which ultimately strengthens the state's financial position. Then, by aligning the audit function with GCG, SOEs can encourage ethical decision-making, avoid conflicts of interest, and promote responsible business practices. Furthermore, the implications of the optimization of the compliance audit function to combat corruption in state-owned enterprises Through the Lens of Indonesian Corruption Law for SOEs is that there is tighter supervision of SOEs activities, which has the potential to increase pressure to comply with legal and ethical standards so that efforts are needed to promote ethical behavior and prevent corrupt practices, and efforts to strengthen international cooperation in tracking assets hidden abroad can further improve the effectiveness of audits and investigations. However, efforts to optimize compliance audits are not a one-time effort but rather an ongoing process that requires continuous improvement and adaptation to address evolving challenges and risks.

#### **4. Conclusion**

A compliance audit is a systematic review to assess an organization's compliance with laws, regulations, policies, and procedures to ensure that the organization

operates in accordance with established guidelines and standards, both internally and externally. Compliance audits can be conducted internally or externally and are essential to maintaining legitimate and ethical operations, reducing risk, and promoting good governance. The purpose of optimizing the implementation of the compliance audit function in law enforcement at SOEs through the lens of Indonesian corruption law is to ensure the implementation of good corporate governance as an effort to prevent corruption in Indonesian SOEs. Therefore, it is necessary to strengthen the internal control system (ICS) and effective law enforcement and increase awareness of the importance of compliance with applicable laws and regulations in Indonesia. Then, the challenge of implementing the compliance audit function always finds imperfect laws. For example, several cases of corruption in Indonesian SOEs actually occurred, because there was a mechanism that was violated so that the company suffered illegal losses. Based on various previous descriptions, it is very necessary to have a mechanism in terms of making business decisions based on various provisions in the business process. The mechanism includes public law regulations and internal company regulations. All of the above mechanisms are actually ways to ensure that business processes and decision-making processes are truly in accordance with the company's objectives, protecting the interests of stakeholders and the public. Thus, these mechanisms as stated in the law or regulations are a means of ensuring the achievement of company objectives, and compliance audits are not merely to punish but to ensure and maintain that business processes are in order.

Thus, the results of the conditional proposition tested for truth by the author through this study regarding the optimization of the implementation of the compliance audit function to prevent and eradicate corruption in State-Owned Enterprises (SOEs) through the Lens of Indonesian Corruption Law are the results of compliance audits. Compliance audit results can be used as initial evidence for law enforcement officers in the process of investigating corruption cases in SOEs. Furthermore, compliance audit results play a crucial role in identifying potential suspects, the form of unlawful acts, and what constitutes the evidence. Although law enforcement officers must conduct the evidentiary process using applicable legal methods, audit results serve as the initial capital or evidence in the process of proving corruption crimes in SOEs. The evidentiary process, as conducted by law enforcement officers at the investigative level, utilizing compliance audit results, has helped meet approximately half of the legal evidence requirements. Furthermore, investigations elaborating on the compliance audit results are expected to effectively prevent and combat corruption in Indonesian SOEs. Therefore, the results of compliance audits are expected to contribute to improving the business environment to be more transparent, accountable, and ethical, and to adapt their audit procedures to address emerging corruption risks and evolving legal requirements. Furthermore, state administrators, academics, and other stakeholders are expected to utilize the optimized implementation of compliance audit functions to prevent and eradicate corruption in SOEs through the lens of Indonesian cor-

ruption law.

## Novelty

Optimizing the implementation of the Compliance Audit function in State-Owned Enterprises through the Lens of Indonesian Corruption Law can be done by strengthening the compliance audit function, which aims to prevent and eradicate criminal acts of corruption through an internal control system, effective law enforcement, and increasing awareness of the importance of compliance with laws and regulations.

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## Conflicts of Interest

The author declares that they have no conflicts of interest, financial or otherwise, regarding the publication of this article.

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## Appendix

Ketetapan Majelis Permusyawaratan Republik Indonesia Nomor XI/MPR/1998 tentang Penyelenggara Negara yang Bersih dan Bebas Korupsi, Kolusi, dan Nepotisme

Peraturan Otoritas Jasa Keuangan Nomor 29/POJK.04/2016 tentang Laporan Tahunan Emiten atau Perusahaan Publik

Putusan Mahkamah Konstitusi Republik Indonesia yang mengubah status tindak pidana korupsi dalam Pasal 2 ayat (1) dan Pasal 3 Undang-Undang Republik Indonesia Nomor 31 Tahun 1999 jo. Undang-Undang Republik Indonesia Nomor 20 Tahun 2001 tentang Pemberantasan Tindak Pidana Korupsi

Undang-Undang Republik Indonesia Nomor 8 Tahun 1995 tentang Pasar Modal

Undang-Undang Republik Indonesia Nomor 31 Tahun 1999 tentang Pemberantasan Tindak Pidana Korupsi

Undang-Undang Republik Indonesia Nomor 20 Tahun 2001 tentang Perubahan Atas Undang-Undang Nomor 31 Tahun 1999 tentang Pemberantasan Tindak Pidana Korupsi

Undang-Undang Republik Indonesia Nomor 19 Tahun 2003 tentang Badan Usaha Milik Negara

Undang-Undang Republik Indonesia Nomor 40 Tahun 2007 tentang Perseroan Terbatas

Undang-Undang Republik Indonesia Nomor 1 Tahun 2023 tentang Kitab Undang-Undang Hukum Pidana