

The Implementation Of Legal Audit By The Audit Committee: The Case Of One Company

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Abstract: Legal Audit is an investigation into the company of all works and documentations regarding to the legal. Hence, it can be discovered on which rules have been fulfilled or obeyed correctly. The legal audit that will be carried out by the audit committee is closely related to the control and review of compliance with the regulations implemented therefore legal risks can be prevented. The role of the legal audit is implemented by the audit committee as mandated by Article 121 of the Legal on Limited Liability Company No. 40 Year 2007 in relating to Article 70 paragraph 2 of the BUMN Legal No. 19 Year 2003. Moreover, there are 3 (three) issues in this thesis. Those are; how is the construction and legal relationship of the audit committee in the organizational structure of PT. X with the formation of the Internal Audit Unit (SPI) considered from the principle of Responsibility, how is the implementation of a legal audit by the audit committee at PT. X, and how are the regulation and implementation of legal audits in accordance with the construction and legal relations of the audit committee in the future at PT. X

Index Terms: audit committee and internal supervising unit, legal audit, responsibility, supervising

1. INTRODUCTION

Afair control and management system within the company will further promote business continuity and survival. Therefore, control will be more important for the organization because the management may not be able to personally monitor everything that is its responsibility. So prevention needs to be done as early as possible to avoid the risks associated with legal issues. In overcoming this issue, one of the functions that must be consistently empowered by the company is to conduct a legal audit to identify legal issues both current and future situations. Legal audit is a solution to resolve disputes internally / early as an effort, in order to avoid the wasting costs and protracted litigation. Legal audit through the principles of fine corporate governance further enhance the effectiveness of risk management, particularly the risk of unlawful acts specifically related to responsibility for reporting audit results that will be delivered to all authorized parties both inside and outside the company. Referring to the Company's activities in the form of a Limited Liability Company, hereinafter abbreviated as PT (Perseroan Terbatas), must be supported by reliable Organ and Human Resources and a programmed framework. Those are necessary things so that this business unit is able to work productively and efficiently.

The organ of the company that oversees policy and counsel as regulated in Article 108 of the Company Law No. 40 of 2007 concerning Limited Liability Companies is a Commissioner. The Audit Committee is one of many to carry out its duties to form committees (Article 121 paragraph 1).

Structurally, the company has also a control work unit formed by the Board of Directors. The work unit is the Internal Control Unit abbreviated as SPI which is the company's internal supervisory apparatus (Article 67 of Law No. 19 of 2003). The establishment of this work unit is to provide assurance for achieving the company's goals economically, efficiently and effectively. The practice of the outcomes of the legal audit is not focused on performance results, but rather on the

transaction process to determine policies and or decisions regarding the compliance, whether the process is consistent or not violating available regulations by taking into account Ultra Varies. Unlike the audits conducted by SPI, the audited is the results of performance or operational. Legal risk from the transaction process raises merely weak supervision. This issue is immediately corrected, on the other words detecting the issues as early as possible. It is a different case if the result of the performance's risk is illegal acts. This is correlated with the news in the media, where corruption cases committed by state institutions and other independent state institutions that stumble in legal issues and even companies with legal entities are likely to face the same matters. The occurring issues are characterized by the nature of weak internal control, lack of balanced disclosure and lack of concerns about the risks in fulfilling the applicable policy, as well as the weak implementation of law in the practice of a company business circle. The existence of the established audit committee must be independent and able to boost the management to carry out the development related to the efforts in becoming good corporate governance, not merely declare it but also apply it in real circumstances. A legal audit is one of the instruments to enforce the principle of responsibility in the management of the company. That is considered significant since the legal audit process aims at reviewing and testing the quality of compliance, whether it is in accordance with the procedure or not. Other considerations of legal audit are a mechanism of verifying on the existence of legal subjects including activities from the perspective of legal objectively and the practice of existing rules. The reason is simple because the results of rules inspection report will be in the form of more professional legal statement. Hence, a legal auditor in most companies does not yet exist since the requirements of this profession includes becoming expertise in the field of law (*lex specialis*) in order to be right on target in carrying out their duties and responsibilities (the right men on the right place). According to Article 121 paragraph 1 of the Constitution of Limited Liability Companies may establish an "Audit Committee". It is related to Article 70 paragraph 1 of UUBUMN and be further clarified in the Decree of Minister of BUMN Number: Kep-10/MBU/2012 date 24 of July 2012 concerning supported members of the Commissioners Board/ BUMN Article 2 paragraph 2 that is a limited liability company can form an audit committee. The committee is formed to assist in carrying out the supervisory duties and functions

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which being mandated by the Constitution to the Board of Commissioners. The existence of an audit committee aims to support SPI as an internal supervisor. SPI itself has a job desk to give opinions objectively. It leads to the supervision on the management of the company to be in accordance with the principles of good corporate governance. The roles and responsibilities of the audit committee basically assist the board of commissioners in carrying out their duties regarding internal control and management. Therefore, the establishment of an audit committee provides benefits and objectives which include:

1. Assisting the Commissioners in implementing their duties and functions.

2. Consolidating the neutral and the object of internal auditors.

3. Increasing the public assurance in the company.

Hence, the implementation of legal audits is expected to reduce the legal issues particularly regarding to compliance. It can be seen from the development of findings or occurring issues as follows:

Table 1. The development of Audit Results from 2012 to 2014

No	Year	Results	
		Total	Percentage (%)
1.	2012	310	100
2.	2013	244	78,7
3.	2014	212	68,4

Regarding to the table above, it can be seen that the number of findings relating to compliance issues in 2012 reached 310 findings. When it is compared to 2013, the findings reached 78.7%. Moreover, the result of 2013 and 2014 are compared, it reached 68.4%. On the other words, the results of compliance audit on internal or external regulations have decreased from year to year, however the issues with legal risk cannot be neglected.

Based on the background described above, the research problems in this thesis are:

1. How is the construction and legal relationship of the audit committee in the organizational structure of PT. X with the formation of the Internal Audit Unit (SPI) considered from the principle of Responsibility?

2. How is the implementation of a legal audit by the audit committee at PT. X?

3. How are the regulation and implementation of legal audits in accordance with the construction and legal relations of the audit committee in the future at PT. X?

2 METHODS

This study uses 3 (three) approaches, as described below:

1) Legislation Approach, according to Jhony Ibrahim, a normative study must certainly employ a statutory approach. The various legal rules will be examined both as the main focus and the central theme of a research. This approach is to examine legal issues and determine logical ratios and ontologism ratios related to the Constitution along with the implementing regulations, the statute of company, specifically regulating the Audit Committee in auditing Legal in company companies.

2) Analytical Approach

The analytical approach is needed to perceive and comprehend the contained concepts and the terms in rules which governing the supervision or legal audit function by an

audit committee that formed by the commissioner in conducting supervision. Hence, the analysis approach may prevent many different interpretations in responding the reviewed legal issues in this study.

3) Philosophy Approach

The Philosophical Approach aims at its study by observing the principles and legal values of company management particularly the principle of responsibility that underlies the construction and legal association of the audit committee in supervising the legal in the company. This approach discussed more deeply about legal issues in normative legal research.

4) Conceptual Approach

In this approach, it will be better to understand the views and doctrines in the law of science, namely to build a backing of legal arguments to solve the legal issues at hand. This approach is also needed to know doctrines and views on the formation of an audit committee.

5) Futuristic Approach

Legal research with a futuristic approach is more likely to review and analyze the rules of legal audit conducted by audit committees. Moreover, it is more effective in the future.

a) Research Material Resources

In legal research, secondary data as a source of research material are: a. Primary legal materials, namely binding legal materials consisting of: a) The Constitution of the Republic of Indonesia of 1945; b) Book of Commercial Legal (Wetboek van Koophandel: WvK); c) The Constitution of the Republic of Indonesia Number 40 Year 2007 concerning Limited Liability Companies; d) The Constitution of the Republic of Indonesia Number 19 Year 2003 concerning State-Owned Enterprises (BUMN); and e) Decree of the Minister of BUMN No. Kep-01/M-MBU/2006 date December 20, 2006 concerning the Audit Committee for State-Owned Enterprises. f) Regulation of the Minister for State-Owned Enterprises Number: PER-01/MBU/2011 date August 01, 2011 concerning the Implementation of Good Corporate Governance in State-Owned Enterprises. g) Articles of Association and Internal Regulations.

b. Secondary legal material, which provides an explanation of primary legal materials, such as the results of research and the works from legal circles and so on.

c. Tertiary legal materials, which provide instructions and explanations for primary and secondary legal materials such as dictionaries, encyclopedias, and so on.

b) Collection and Processing of Research Materials

According to Hoecke, the processing of legal materials can be done by structuring, describing, and systematizing in two levels, namely: a. Technical level, which is collecting, arranging, and prescribing the legal regulations to build the foundation of legitimacy in interpreting legal regulations by applying logical methods, hence they are organized in a coherent system. b. Teleological level, which is systematizing the legal regulations based on the substance of the legal, by considering, rearranging and interpreting juridical material in a teleological perspective. Therefore, the system becomes clearer and more developed, by applying teleological methods as a benchmark for the systematic.

c) Research Material Analysis Technique

The collected and processed legal materials are then analyzed using interpretation techniques or interpretations and legal construction methods. According to Yudha, there are various ways of interpreting in legal. Those are: a. Grammatical interpretation. b. Historical annihilation. c. Systematic

interpretation. d. Teleological interpretation. e. Official interpretation or authentic interpretation. f. Interdisciplinary interpretation. g. Multidisciplinary interpretations, which interpretations that require assistance from other disciplines other than legal disciplines.

d) Conclusion Withdrawal Techniques

In this study, drawing conclusions utilizes the logic of deductive thinking. It is reasoning that generally applies to individual and concrete cases. The process that occurs in deduction is concretization (law), legal values, legal principles, legal concepts, and legal norms that are generally formulated in the rules of positive law, and then concretized (elaborated) and implemented to settlement of legal issues.

3 FINDINGS AND DISCUSSION

3.1 Construction and legal relations between the Audit Committee and SPI in the Organizational Structure in PT. X viewed from the Principle of Responsibility

3.1.1. Responsibility Principle and its function in the Management of a Good Company

As it is recognized, the legal principle is a philosophical foundation where it is a condition of sine quanon for norms in the rule of positive law. Soedjadi noted that condition sine quanon contains moral and ethical values aimed to provide appropriate or legal direction in using or implementing positive rules of law. For this reason, the legal principle provides ethical meaning to legal regulations of high ethical values. The legal principle forms the contents of legal norms formulated in legal regulations, without the rule of law, the legal norm will lose the power that binds them. Therefore, by not knowing the principles of law, it is impossible to understand the nature of law. Responsibility Principle is one of the principles of Good Corporate Governance (GCG). Based on the Decree of the Minister of BUMN No. KEP-01 / MBU / 2011 dated August 1 in 2011 concerning the Implementation of Good Corporate Governance (GCG) in SOEs states that GCG principles are norms or corporate guidelines needed in a healthy corporate management system. Thus, the implementation of GCG, one of the actions based on high moral values and compliance with relevant laws and regulations. For this reason, the SOE Minister's Decree as mentioned above is only intended for SOEs (Article 2 paragraph 1) that SOEs are required to implement GCG consistently and to make GCG as an operational basis. In order to arrange the relationship between the parties in order to be able to carry out their duties properly, it should be based on GCG principles truly agreed upon in the Integrity Pact and obtain mutual benefits. Therefore, the principle of responsibility is the realization of supervisory accountability functioned as a component that moves the course of company activities according to the duties and authority of each company organ. The Commissioner is one of the elements in corporate governance that can be responsible for carrying out its obligations must have access to accurate, relevant and timely information. For this reason, the corporate governance framework should better ensure the company's strategic guidelines, which include; 1) the Commissioner acts on the basis of complete information, goodwill, careful and careful research and the best interests of the company and shareholders, 2) Commissioners should ensure compliance with applicable laws and consider stakeholder interests, 3) Commissioners should fulfill certain key functions including monitor and

manage the potential conflict of interest of management, commissioners and shareholders, misuse of corporate assets, and misuse in transactions that have special parties, and 4) the Commissioner must be able to carry out objective considerations on independent corporate matters, especially towards management. It was summarized that the meaning of the responsibility principle in order to prevent agency problems aroused due to differences in interests, to regulate the clarity of functions, obligations, authority, and accountability of corporate organs so that the management of company can be implemented effectively. The form of implementation of clarity of functions regarding rights and obligations, authority and management responsibilities are manifested in the form of a corporate statute, the establishment of an audit committee, effective internal audit practices to support the supervisory function by the Commissioner.

3.1.2. Construction and Relations between Law and the Audit Committee and SPI

Legal relations are relationships regulated by law. That means that the relationship is not regulated by a legal relationship. Any legal relationship can occur between fellow legal subjects and between legal subjects and goods. Relations between fellow legal subjects can occur between one person and another, and a legal entity and other legal entities. From an angle or interest, the law can be divided into; public law, a law regulates relations between the state and the equipment or state relations with individuals (citizens) with a focus on the public interest. Private law, a law regulates relationships between one person and another, with emphasis on individual interests or special interests. In addition, public law regulations are compelling, while civil law regulations are generally complementary, although those are forced. The purpose of public law is to protect the public interest, while civil law aims to protect the interests of individuals. Civil law regulates legal relations between individuals, while the public regulates legal relations between the state and individuals. Public law is usually formulated as a law that regulates public interests and regulates the relations of the authorities with their citizens. This public law is the whole regulation which is the basis of the state and also regulates how the state carries out its duties. Hence, it is a protection of state interests. In paying attention to the public interest, the implementation of rules of public law is carried out by the authorities. They include constitutional law, administrative law, and criminal law. The Audit Committee Provisions in companies are still guided by Law Number 19 of 2003 regulated in Article 70 and Article 71 up to Article 74, Governmental Regulation Number 45 in 2005 and further elaborated in the Minister of BUMN Regulation Number; Per-05 / MBU / 2006 December 20, 2006 concerning the Audit Committee for State-Owned Enterprises, and Minister of BUMN Regulation Number; Per-01 / MBU / 2012 dated July 24, 2012 concerning Supporting Organs of the Board of Commissioners / BUMN Supervisory Board specifically regulated in Article 11, Article 12 and Article 13 implementing regulations of Law Number 19 of 2003 and Government Regulation Number 45 of 2005. The Audit Committee established in PT. X is based on Board of Commissioners Decree No. Kep-11 / Dekom / PT / II / 2012 February 28, 2012 concerning the establishment of PT. X Audit Committee. The aim is to support the Board of Commissioners' supervisory function. Furthermore, the process of formation, duty, authority, ethical codes, and other matters is regulated in the

decision of the Board of Commissioners of PT. X Number: Kep 16 / Dekom / -PT / V / 2012 1 May 2012 concerning the Audit Committee Charter of PT. X, while the appointment or inauguration of members of the Audit Committee is decided based on the Decree of the Board of Commissioners Number; Kep 15 / Dekom / PT / V / 2012 dated on May 1, 2012 and Number; Kep-10 / Dekom / PT / VI / 2013 dated on June 2, 2013 concerning the Adjustment of Term of Office of Audit Committee Members in PT.X. The Audit Committee should have independence, integrity, and a good financial reputation, having the following conditions; having no financial relations with the Board of Commissioners or Directors, having no business and management relations in PT. X or affiliated organizations, owning no sharing in PT. X or affiliated organizations, having no family relationship with the Board of Commissioners, the Board of Directors or with fellow members of the Audit Committee, holding no a political office in the government or serving as a political party administrator. Moreover, independence of the audit committee is one of the implementation of the GCG principle (principle of responsibility), in addition to the competence and activities of the audit committee, so that it can be said that the independence of the audit committee has a positive relationship with the level of financial engineering management. In other words, more competent of the audit committee will further reduce the possibility of financial engineering practices carried out by management. The existence of the Audit Committee directly under the Board of Commissioners. In order for the company's operations to be properly controlled, PT. X formed a working unit of the Internal Oversight Unit to assist the directors in carrying out supervision of operational activities, the company, as well as financial management of the company. The existence of the SPI working unit is in line with Law Number 19 in 2003 and Governmental Regulation Number 45 of 2005. The SPI working unit was formed according to the Decree of the Directors of PT. X number; SK / DIR / 056 / -2012 February 14, 2012 concerning the Internal Audit Charter in Article 1 paragraph 6 stated what is meant by the Internal Audit Unit (SPI) is a working unit that carries out the supervisory function based on delegation of authority and responsibility from the Board of Directors. It can be seen that the existence of SPI in the organizational structure of PT. X can be seen from the following chart. The SPI working unit is led by the Head of the Internal Audit Unit who is directly responsible to the president director and in charge of the financial supervision department and operational supervision department. SPI also provides internal consulting assistance to other working units, especially consultations regarding supervision and control. Normally, SPI is also regulated in article 67 of the Act number 19 of 2003 paragraph 1 where each SOE forms an internal supervision unit which is the company's internal supervisory apparatus. Hence, the conclusion of the audit committee relationship with SPI can be concluded such first, the audit committee guarantees the resources needed by the internal audit function and can synergize in accessing information needed in carrying out its duties. Second, the Audit Committee reviews and evaluates the annual working plan of SPI. Third, the Audit Committee periodically receives audit reports conducted by SPI. Fourth, the Audit Committee oversees management's response to the findings and recommendations of SPI. Fifth, the Audit Committee and SPI hold regular meetings at least once a month, the meeting is held to determine the extent of

projects that have been completed and the problem of what has happened, both in terms of operations and finance. Sixth, SPI as the party trusted by the President Director to carry out its functions, in carrying out its duties SPI cooperates with the Audit Committee in reviewing and acting on findings in the field. Seventh, the Audit Committee can provide recommendations to refuse while cannot reject the final decision to elect the candidate to elect the head of SPI whose decisions are in the hands of the President Director. Thus, the construction of legal relations between SPI and the Audit Committee at PT. X is stated in the Audit Committee Charter and SPI Charter confirmed by the Directors Decree number: SK / DIR / 056/2012, regulated in CHAPTER VII Article 14 and Commissioner's Decree Number KEP-16 / DECOM / PUSRI- / V / 2012, and guided and / or derivatives of generally accepted provisions (lex generalist) as stipulated in Article 67 - 69 in the Act Number; 19 of 2003 concerning state-owned enterprises (BUMN).

3.2. The implementation of the legal audit by the audit committee at PT.X

3.2.1. Legal rules for the implementation of legal audit by the audit committee

As what have been explained in previous chapter that Audit committee formed by the board of Commissioners stated in Article 121 paragraph 1 of the Company Law No. 40 of 2007 which stated that "In carrying out their tasks of supervision as contemplated in Article 108, Boards of Commissioners may form committees the members of which are one or more members of the Board of Commissioners" in relation with Article 70 paragraph 1 of Law No. 19 of 2003 which stated that "In carrying out their tasks of supervision as contemplated in Article 108, Boards of Commissioners may form committees the members of which are one or more members of the Board of Commissioners.". and further provisions stipulated in Ministerial Regulation No. 05 / MBU- / 2006. The establishment of the Audit Committee was intended to assist the Commissioner in overseeing the company's performance. The existence of the Audit Committee is expected to be able to optimize check and balance and is closely related to reviewing the risks faced by the company and compliance with regulations. Audit Committee in carrying out its duties (PT "X") based on the mandate of the Audit Committee Charter stipulated by a Decree of the Board of Commissioners of PT. X no. 16 / Dekom / PT X / V / 2012 concerning the Guidelines for the implementation of the work or the Charter of the Audit Committee stipulated. The focus of the Audit Committee's main task set out in the Decree is to assist the Board of Commissioners in carrying out the process of control or management oversight (process management control) which includes the submission of the results of evaluation and / or evaluation of company operational activities, including evaluating the level of company compliance to applicable laws and regulations. the Audit Committee whose position is established is expected to provide a positive for a legal entity, in this case PT. X of course and the audit committee in conducting supervision or assessment must be independent.

3.2.2 Authority and the Independence of the Audit Committee in implementing legal audits

Qualifications of audit committee members are very important factors in the implementation of the audit committee's function

is independence, independence is a critical factor that determines the implementation of the overall role of the audit committee objectively and the achievement of accountable management for shareholders. Of course, with a high level of independence, it contains 2 (two) benefits, namely a high level of supervision and a low level of fraud. Trust in the independence of the audit committee's attitude is very important in running the supervision of the object being studied. To be recognized as an independent party, the audit member must be free from any obligations to the Company and certainly do not have a particular interest and be free from circumstances that could cause the other party or third to doubt its independence. The important role of the audit committee to create corporate governance makes it a demand to maintain the independence of the audit committee in order to carry out the supervisory function. Audit committees that are independent of integrity cannot be influenced by other parties in carrying out supervisory roles. An independent audit committee will apply fairly to each party because it does not carry interests. Therefore, the independence of the audit committee in carrying out its tasks is one of the implementation of Good Corporate Governance (GCG). In order to fulfill the independence requirements, the Audit Committee in PT "X" has 3 (three) members, one of that is the Independent Commissioner who acts as chairman with a law degree education background and 2 (two) members with economics background, law degree and technical scholars, the two members are independent parties who have expertise in finance and or accounting, as well as an expert in the industrial / business field of the Company. Specific expertise is not possessed by the audit committee, the audit committee that is listed is not a legal auditor but an auditor who is general or general. In accordance with the rules in the Decree of the Commissioner No.16 / DEKOM- / PT "X" / 2012 must recognize and understand the role.

3.2.3. Mechanism for the Implementation of Legal Audit by the Audit Committee

Monitoring and maintaining that activities that do not deviate from the applicable provisions need to be reviewed for the company's compliance with legislation relating to company activities. This review is a manifestation that the company is committed to implementing good corporate governance. In the framework of companies implementing good governance it is clear that companies must apply the principle of responsibility. This principle as explained in the previous chapter emphasizes that companies must adhere to applicable laws and carry out activities by being responsible to stakeholders and shareholders. Noting the description of the audit committee which functions to assist the smooth running of the duties of the commissioner, of course in reviewing the truth of information and assessing the effectiveness of internal controls so that recommendations can improve compliance with aspects of financial reporting, accounting and industrial operations as well as compliance with legislation related to company business. For this reason, the audit committee can synergize with the internal auditor to conduct a joint audit for aspects of the strategy that require further audit deepening. The Audit Committee in carrying out its duties is only doing work just doing routine tasks such as reviewing reports and selecting external auditors and not critically asking questions and not analyzing in depth the conditions of control and implementation of management responsibilities, the cause of

which is suspected not only of their lack of competence and independence those who are compact but most do not understand the main role. Supervision carried out by the audit committee is a supervision of matters carried out by the directors in carrying out the company's operational activities. Supervision carried out is only an assessment. The task of the committee ultimately motivated the directors to be more open to the information held, especially to balance information, which ultimately had no indication of having fraud. Supervision carried out by the audit committee makes information more relevant and there are no parties associated with the company that is harmed. Good management to increase the value held by stakeholders must fulfill the function of the audit committee. One of the functions of the Audit Committee is to help the shareholders and commissioners using control activities carried out by management, internal auditors (SPI), external auditors. The audit committee generally has direct access to every element of control within the company. Therefore, the audit committee to improve its role in auditing compliance is limited to reviewing accounting policies, assessing internal controls, reviewing the external reporting system and compliance with laws and regulations, and not conducting audit actions directly to the object. For this reason, the oversight process carried out by the audit committee is seen as a control mechanism to see the role of the audit in managing risks related to opportunities for fraud. In connection with the description before, the role of legal audits carried out by the audit committee and / or conducting compliance audits (legal audits) is regulated in the audit committee charter which was ratified through a Commission Decree no: KEP-16 / DEKOM / PT "X" / 2012. In conducting an audit, the audit committee does not conduct an inspection directly to the audited object regarding compliance audits / legal audits, financial statement audits, accounting but only conducts an assessment of the results of the performance audit conducted by an internal audit or external audit. The stages of the legal audit process at PT. X are based on the results of a review, evaluation and clarification of the problems or cases found by the internal audit (SPI), if there are cases relating to compliance, the audit committee reviews the company's compliance with the law. invite, and proceed with giving direction, and finally recommend that the work unit is the object of the audit to fix procedures that are in accordance with applicable regulations. The study is a manifestation that the company is committed to implementing good corporate governance (GCG principles), so the company must apply the principle of responsibility that emphasizes applicable laws. The implementation of the audit and / or supervision by the audit committee in adhering to the existing rules in the company, the assessment results from the BPKP (Financial and Development Supervisory Agency) Representative of South Sumatra on the implementation of good corporate governance (GCG) at PT. X from 2012 up to 2013 can be seen in the table as follows:

Table 1. Assessment results effective committee / supervision towards GCG principles 2012 to 2014

No	Year	Achievement (%)		Description
		Parameter	result	
1	2012	6	85,72	Very good
2	2013	5	81,00	Very good
3	2014	5	96,67	Very good

Regarding to the results of the assessment, it can be seen that the supervision from the audit committee is very good from year to year, although there was a decrease in assessment in 2013 due to changes in parameters, and from the assessment results there were no deviations from the principles of corporate governance (Good Corporate Governance) that occurs in the company.

3.3. Arrangement and Application of Legal Audit in accordance with the Construction and Legal Relations of the Audit Committee in the future

3.3.1. Application of a Legal Audit in accordance with the Construction and legal relations of the audit committee in the future

Legal audit aims at the disclosure of information, this is related to the emphasis on guaranteeing the legality of related objects, in relation to third parties. The legal construction of the establishment of an audit committee to assist supervision has been clarified in the approved articles of association of the company, regulated in Article 15 paragraph 8, that the Commissioners can form committees other than the Audit Committee. This audit can protect the business process early, namely from the initial action of the administration, it can be seen whether the business to be taken will cause legal risk or not, and if this has been assessed, legal risk can be eliminated so that the authorization holder makes business decisions less likely and unexpected problems.

3.3. 2. Setting up legal audits by the audit committee in the future

Construction and legal relations with the SPI to unite executive functions and supervisory functions, in order to create speed in giving opinions to make decisions. Legal relations between the SPI and the audit committee can produce good results of inspection or supervision. And it must be distinguished from the Audit Committee, SPI and legal audit in the control to analyze legal findings so as to facilitate providing legal opinions. Because the results of legal audits are one of the considerations for interested parties in making decisions in connection with the transactions to be carried out. The role of legal auditors in the corporate environment must be, professionalism, the quality of its members must have the required expertise such as having attended education and certified legal auditors, because the audit accountability is quite significant if it is wrong in auditing rather than preventing legal risks that will arise. For that legal audit will not achieve maximum results if it does not have expertise, because this legal audit is an audit that has special expertise (certified) and its task is more focused on examining document transaction processes associated with guaranteed validity of related objects in relation to third parties (level of compliance and compliance with procedures). The audit committee in addition to the task is more focused on the assessment of compliance as well as supervising the results of management analysis regarding financial and non-financial information needed for decision making in each line in the company's organizational structure. Therefore, the audit results will certainly be used to improve and or improve the quality of compliance in order to realize a good and clean, honest, transparent and accountable management system for the company, in order to secure the overall management level of legal issues. This legal audit is

also used to prepare self-defense for parties involved in the process of business transactions. For this reason, the future implementation of this legal auditor can be carried out by the Audit Committee in accordance with the policies and needs issued by the commissioner, which is decided at the shareholders meeting, of course. The company's business ethics prioritizes clean and clear every business process that is based on obedience or compliance in order to eliminate the risk of legal problems, needs to be developed in internal or external rules because it is still limited in conducting supervision and the establishment of legal audits is not only in performance audits but must conduct project audits.

4 CONCLUSION AND IMPLICATIONS

In connection with the implications of the results of this study, of course, it will provide a deep understanding of the legal science layer contained in the legal issues examined. It is understandable that the role of legal audits or compliance audits carried out by the Audit Committee must be accountable and provide maximum benefit to stakeholders who have good information obtained from the results of audits conducted by the Internal Audit Unit (SPI). The benefits that will be obtained by interested parties are providing independent professional opinion to improve the quality of work and reduce deviations in management of the company. Judging from normative regulations that have been determined through Article 70 of Law no; 19 of 2003 and Ministerial Regulation no: PER-05 / MBU / 2006 dated December 20, 2006 concerning the Audit Committee have been felt to be good and have a positive effect by corporate companies in Indonesia so that the objectives of the regulation can be realized that are the magnitude and this is applied by PT.X. The Audit Committee in conducting evaluations and assessments must be independent of the work unit that is assessed and / or examined, the Audit Committee is also in monitoring recommendations given to the work unit as the person in charge, whether the compliance process with established procedures and policies or regulations has been fulfilled or not, including relating to the behavior and attitudes of company officials or personnel can be done through regular monthly meetings. In order for the supervision of the system to have harmony between the authority of the Audit Committee and the authority of the SPI, it is expected that the existing organ structure in the company, especially the Audit Committee and SPI, can carry out good supervision and synergize so that a high level of oversight will be eliminated and low levels of fraud both in terms of rules and compliance in the submission of financial statements. For this reason, how the role of the legal audit in the future so that the audit committee can run optimally needs to be developed in internal rules as previously clarified so that there is no overlapping with the SPI work unit as a company organ that assists the directors in carrying out company activities. Based on the substance of the Agency Theory, it can be understood that the existence of the Audit Committee as a legal auditor is expected to provide a positive for a legal entity, in this case PT. "X". The Audit Committee is expected to be independent of the unit being examined and / or provide an assessment of the internal supervision function, and with the alignment of the Audit Committee's authority assigned by the Commissioner and SPI's authority in providing independent audit reports which will be reported specifically to the Commissioner so that the creation of a good corporate governance in the company, especially at PT.X. Based on the

substance of Stewardship Theory, it can be understood that the existence of Audit Committees is not only for the benefit of the Commissioners but also for other interested parties in PT. X (stakeholders and shareholders). The Audit Committee if its role will be to carry out duties as a legal audit, then first obtain approval, especially in the GMS decision. The task is the mandate that in its assessment must be objectively good at evaluating and recommending any form of action taken by the company. In order for the role of the Legal Audit carried out by the Audit Committee to carry out the task properly in accordance with the mandate of the Audit Committee Charter stipulated by a Board of Commissioners Decree, it is proposed to develop or change the company's internal regulations, specifically including Manpower or membership related to legal auditors, Tasks, appointments and dismissals, the qualifications of the legal auditor, reporting responsibilities and Terms of Office. Based on the provisions of the Act PT No. 40 of 2007 in conjunction with BUMN Law No. 19 of 2003 Article 70 paragraph 3, Commissioners can form other than audit committees formed according to the needs and costs of the company, so that it is more focused on conducting audits relating to legal processes. The Committee formed is the Compliance Committee, the existence of these committees is of course relative, therefore the Complaints Committee is expected to be able to provide a more objective assessment of the alignment and correctness of corporate actions with legislation and the interests of stakeholders (government, environment, society, and others). While the current requirements and composition of the Board of Commissioners Chairperson can be chaired by one of the commissioners because they already have the competency, only their membership can be taken from outside the company that has the skills and certainly has certification as a legal auditor. Based on the findings and analysis of the application of legal audits by the audit committee in order to realize the supervision of companies that can be accounted for (Responsibility) in the company PT. X, conclusions can be drawn as follows: The construction and legal relationship of the audit committee in the organizational structure of PT.X in terms of the Responsibility principle is the supporting organ of the commissioner and the Internal Supervision Unit abbreviated as SPI of the board of directors. repairs and creates procedures or company orders that are clean and clear that can be accounted for (responsibility), so that what is the goal of the company can provide maximum benefits to both shareholders and stakeholders. The pattern of the relationship between the audit committee and the legal construction SPI is set forth in the Audit Committee Charter and SPI Charter, each of which is approved by the President Commissioner for the Audit Committee and the President Director. The implementation of the current legal / compliance audit by the audit committee is set forth in the audit committee charter which was ratified through a Decree of the Board of Commissioners, but the Audit Committee in carrying out its duties does not direct supervision to work units or other organs in the company, but only provides judgment. For the direct supervision task carried out by the Internal Audit Unit (SPI), the audit results are reported to the Audit Committee for assessment, review, evaluation through questions, discussions to explore the findings. Regulation and implementation of audits by the legal audit committee in the future, construction and legal relations as stipulated in Article 121 of the Limited Liability Company Law No. 40 of 2007 in

conjunction with Article 70 of Law No. 19 of 2003 which works collectively which functions and assists in carrying out the duties of the commissioner. It is necessary to add the task not only to supervise and provide advice to the directors and SPI but supporting organs of other Directors. So that the implementation of a legal audit by an audit committee can be more useful. This additional task is also proposed to revise the internal provisions that have been ratified which regulate the duties of the audit committee by adding and or developing the internal provisions in question. The contribution of advice that can be given in connection with the analysis of the application of the law audit committee audit in order to realize the supervisory role of the company that can be accounted for (Responsibilities) in the company PT. X, including: If the role of the partnership audit committee is needed in conducting a legal audit to cooperate with the SPI, it is necessary to add arrangements regarding duties, limits on responsibilities, the amount of manpower that must be available so that the task can be carried out more effectively. If the company has sufficiently established funds and requires a more effective level of supervision, it is better to form a committee / field of compliance, because the committee / field is expected to be able to provide objective assessments, while its members still have capabilities that are relevant to their duties and functions and have no connection with any party in the company.

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