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ANALYSIS OF BOARD CAPITAL ON PREVENTION OF FINANCIAL REPORTING MISSTATEMENT AT PT GARUDA INDONESIA (PERSERO) TBK

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ABSTRACT

Issues related to the Company's financial reporting misstatement are currently a hot topic of discussion among stakeholders, which is indicated by the restatement of financial statements. One of the objectives of Good Corporate Governance is to ensure that the financial statements presented to stakeholders are error-free and in accordance with standards. The Board of Commissioners must have board capital in the form of relevant education, experience, and training to carry out their duties so that there are no misstatements in the financial statements. This research was conducted to examine the board capital of the Board of Commissioners of PT Garuda Indonesia (Persero) Tbk. during the period from 2012 to 2020. The selection of the research object was based on the existence of a financial statement restatement case due to a misstatement. The research uses a qualitative method in the form of case studies using company's Annual Report data that can be accessed from websites and other public data sources. The study also conducted an analysis by comparing the board capital of the Board of Directors of Singapore Airlines and the Board of Commissioners of PT Telekomunikasi Indonesia (Persero) Tbk. The results of the study indicated that the educational competence background of accounting and finance members of the Board of Commissioners is a very important factor in preventing misstatement and restatement of financial statements.

Keywords: agency problem, board capital, corporate governance, financial reporting misstatement, the restatement of financial statements

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1. INTRODUCTION

The restatement of the financial statements due to misstatement of PT Garuda Indonesia (Persero) Tbk (hereinafter simply referred to as Garuda) which recorded a net profit in 2018, while in the previous year it reported a loss, has become a hot topic. This case began to emerge when two of Garuda's commissioners were not willing to approve Garuda's financial statements when they were asked for approval from the shareholders at the General Meeting of Shareholders (GMS) because the statements were deemed to contain errors in revenue recognition. This case then resulted in the imposition of sanctions not only on Garuda but also on the Public Accounting Firm that audited the financial statements. What happened to Garuda previously happened to PT Asuransi Jiwasraya (Persero) Tbk at the end of 2018 with the failure to pay for the JS Proteksi Plan product and also happened to PT Asabri (Persero).

From these events, questions arise about how the financial statements prepared by the management can be issued, even though they still contain problems in terms of both reporting and the impact of the problematic reporting. It should be noted that the management prepares financial reports to present information and accountability based on the results of the implementation of the Company's operational activities as contained in the vision and mission of the Company's establishment in the form of financial statements.

The rapidly changing business environment requires stakeholders to apply the principles of Good Corporate Governance (GCG) based on ethical values. According to Rezaee (2019), the implementation of GCG can increase the confidence of investors and stakeholders in the quality of financial reporting and adequate information. According to Solomon (2020), the concept of corporate governance is not a new issue because this thought has emerged and developed since the introduction of the corporate concept in England in the mid-nineteenth century. The issue of Governance is interesting to study further because in several Asian countries hit by the financial crisis, one of which is Indonesia, there are several experts who state that one weakness in corporate Governance is a form of economic vulnerability that can lead to a worsening of the country's economy (Hinuri, 2002).

Based on the statement of the Financial and Development Supervisory Agency (BPKP) in the 2013 Supervision Report, poor corporate Governance was the cause of the economic crisis in Indonesia, which began in 1997, and its effects can still

be felt today. The crisis that occurred in the United States was also stated to have occurred because the principles of Governance were not properly implemented, such as in the Enron, Worldcom, and Xerox scandals, which also involved top executives.

Based on agency theory, managers must agree on the Company's goals, namely optimizing the prosperity of shareholders so that the management will work optimally to generate profits for the Company with the intention that the value of the Company can increase, which in turn will increase the welfare of shareholders. However, in practice, managers employed by the Company have their own interests, so managers will prioritize their own interests over the interests of shareholders. As a result, the decisions taken by managers will not be in accordance with the wishes of shareholders.

This happens because managers have a tendency to prioritize their own interests since managers have various kinds of information compared to shareholders. Using this information allows managers to hide important information that is not known to shareholders. In the end, managers can exert influence on a number of accounting numbers that managers present in financial statements. This deviant behavior is based on the assumption that humans, in general, will be selfish. To control this management, action requires costs that should not have occurred if the Company is managed directly by the owner of the Company. All costs incurred to exercise control as an effort to minimize potential conflicts or harmonize relations between the two parties are called agency costs (Masdupi, 2005).

Based on Law no. 40 of 2007 concerning Limited Liability Companies, it is stated that the Board of Commissioners has another function, namely ensuring that the Company has carried out social responsibility and considers the interests of various parties with interest in the Company by monitoring the effectiveness of the implementation of Corporate Governance.

The Board of Commissioners also has a function to provide direction on strategy and supervise the running of the Company, and also to ensure that managers (agents) are serious about improving the Company's performance in order to achieve the Company's goals. The greater the number of the members of the Board of Commissioners is, the better the supervisory activities will be. The Board of Commissioners is expected to have an active role which is very much needed to monitor the management so that the policies determined by the management are in accordance with the Company's goals so that in the end, the Company runs effectively and can minimize agency problems. To maintain independence in

running a business, the Company must also have a clear mechanism for providing the information needed as well as easy access to get it so that it is easily understood by stakeholders. In addition, the information presented must also be transparent – especially regarding financial conditions and performance, ownership factors, and the way to manage the Company – and arrive in a timely and accurate manner. The information must also be independently audited. This is done so that shareholders and stakeholders know the actual condition of the Company, so they do not get lost when making decisions.

The members of the Board of Commissioners who have competence in accounting, finance, and business will be able to better monitor, so they can be more effective in improving the quality of financial reports (Lanfranconi and Robertson, 2002; MCMullen and Raghunandan, 1996; Rose and Rose, 2008). The supervisory role of the Board of Commissioners is a significant contribution to the timely presentation of financial statements. Timely financial reports can be realized by involving the Board of Commissioners when planning a company report at the beginning of the period, in addition to the need for advice from the Board of Commissioners to the board directors so that the initial planning can be completed on time, and the Board of Commissioners has the authority to appoint an auditor in the examination of an audit. The Board of Commissioners who has good competence in the field of accounting/finance can supervise the performance of the board of directors in the preparation of a financial report so that it can report to stakeholders.

Based on the phenomena and practices that exist in the implementation of corporate Governance, especially related to the profile of education, experience, and ongoing training to improve the competence of commissioners, also known as board capital. This study focuses on the analysis of board capital at Garuda in the period from 2012 to 2020 based on the data that can be obtained from Garuda website and also by comparing it with the profiles of commissioners at a similar company in Singapore, namely Singapore Airlines and one domestic BUMN, PT Telekomunikasi Indonesia (Persero) Tbk, a company that has been listed on the New York Stock Exchange which implements strict regulations regarding Corporate Governance.

2. LITERATURE REVIEW

2.1. AGENCY THEORY AND CONFLICT-OF-INTEREST

Agency theory defines the relationship between company owners and the management as a contractual relationship. The owner of the Company is the party that gives authority to the management to carry out various activities on behalf of the owner of the Company according to his capacity as the party making decisions. The granting of this authority is the result of the development of the business, which leads to the consequences of separating the ownership factor and how the management manages the Company in order to create a monitoring mechanism for managers to act in the interests of the company owners. The monitoring mechanism for managers is carried out to exercise control over every agent's actions and various decisions made based on the interests of the company's owners. If, in the process, this monitoring is weak, the agent will be compelled to behave in accordance with what is in the agent's interest.

Conflicts of interest exist because the management (agents) has different interests from shareholders (principals) to achieve company's goals. This conflict, if not managed, will cause agency problems to appear, which can later reduce the value of the Company. To bridge this, managerial interests are considered to be the key to success for these differences in interests. According to (Vitolla, Raimo, and Rubino, 2020), the better the percentage of managerial ownership is, the higher the Company's performance will be. In addition to this, the distribution of shares to shareholders who come from outside, namely institutional ownership and shareholder dispersion, will allegedly be able to reduce this agency problem. In some literature, it is said that institutional ownership can encourage more effective company supervision because of the presence of a third party who has the competence to evaluate the Company's performance.

2.2. CORPORATE GOVERNANCE

Corporate Governance arises because there is a separation between the ownership and control of the Company, often known as the agency problem. The agency problem in the relationship between the owner of capital and the manager is how difficult it is for the owner to ensure that the funds invested are not taken over or invested in projects that are not in accordance with what was originally planned and are not profitable so that they do not bring good returns. Corporate

Governance is needed to reduce agency problems between owners and managers (Mullineux, 2006).

Governance is defined by the National Committee on Governance Policy (KNKG) as Governance. Governance is different from management. Lukviarman (2005) states that management has a relationship with the terminology of managing things so that the process carried out must ensure that everything done is right, but Governance is a mechanism for doing things right. Many experts have different opinions about corporate Governance. Morck *et al.* (1989) state that corporate Governance is a tool that can be used to provide certainty that company owners get "prosperity" resulting from business activities run by managers, or it can be called how company owners (principals) control managers in carrying out business activities.

Another expert states that corporate Governance focuses on a set of procedures and regulations that regulate the pattern of relationships between stakeholders, as stated (Cadbury, 2000) as follows:

Corporate Governance is a set of rules that define a relationship between shareholders, managers, creditors, the government, employees, and other internal and external stakeholders with respect to their rights and responsibilities.

2.3. BOARD CAPITAL

According to Nahapiet and Ghoshal (1998), social capital is "the amount of actual and potential resources embedded in, available through, and derived from, the network of relationships owned by individuals or social units". The origin of social capital lies in the relationships that are built and maintained by players in the network and can be linked to individual and collective actors. As in previous work, we applied this concept to boards of directors (Hillman and Dalziel, 2003; Offstein *et al.*, 2005; Lester *et al.*, 2008; Kor and Sundaramurthy, 2009; Wincent *et al.*, 2009; Haynes and Hillman, 2009, 2010; Tian *et al.*, 2011). The definition of social capital on boards varies, depending on whether the focus is on the director's relationship with external agents or on the bonds between directors at the Sintra board level, which prompts us to make a distinction between external and internal social capital (Kim and Cannella, 2008). In summary, this Board Capital includes competencies consisting of expertise, experience, knowledge, reputation, and network.

Board capital is a more comprehensive concept regarding the characteristics of the Board of Commissioners and the board of directors, such as tenure, age, network, education, political connections, and expertise. Several studies mention that the Board of Commissioners has characteristics that have limitations in constructing these dimensions into one human capital dimension (Kaplan *et al.*, 2012). Therefore, one item characteristic of the Board of Commissioners cannot capture holistic and comprehensive competencies and capabilities in terms of human and social capital.

The concept of board capital was first introduced by Hillman and Dalziel (2003) as the total number of human and social resources of the Board of Commissioners that have the ability to provide company resources. Reeb and Zhao (2013) further explored the concept of board capital by addressing it as the ability of members of the Board of Commissioners who oversee the Company and use their education, experience, and network with limitations in constructing these dimensions into one dimension of capital (Kaplan *et al.*, 2012).

Previous research has empirically revealed a positive relationship between human capital and the quality of accounting information. Cao *et al.* (2015) found that the Board of Commissioners with superior capabilities was better at predicting and adapting to uncertain cash flows. Demerjian *et al.* (2017) also reported that highly capable leaders were significantly involved in lower earnings management. Meanwhile, Reeb and Zhao (2013) found a positive relationship between board capital and the quality of corporate disclosure. Therefore, companies with higher levels of board capital may have better reporting quality than companies with less board capital, as in human resources theory.

Ali and Zhang (2015) report that experienced boards of commissioners are less aggressive in supervision than boards with little experience. Early in their appointment as board members, ambitious boards were able to achieve their goals. Once they have established their reputation through long tenures, they become less aggressive in scrutiny to protect their reputation.

2.4. MISSTATEMENT OF FINANCIAL REPORTING

According to Tuanakotta (2013), fraud is any illegal act characterized by deceit, concealment, or breach of trust. This action does not depend on the application of the threat of violence or physical force. Fraud is perpetrated by individuals and organizations to obtain money, wealth or services, to avoid payment or loss of services, or to secure a personal business advantage. ISA (International

Standards on Auditing) explains that fraud is an intentional act by a person or persons among the management, the Board of Commissioners as stakeholders in Governance (those charged with Governance), employees, or third parties, by deceiving to obtain significant profits or unjustifiable or unlawful/unlawful gain (Tuanakotta, 2015).

According to ICAEW (Institute of Chartered Accountants in England and Wales), fraudulent financial reporting is the intentional overstatement and/or understatement of balances in financial statements. This type of fraud can be difficult, as accounting treatment is often judgmental, resulting in a fine line between optimistic but acceptable financial reporting and fraud. The Association of Certified Fraud Examiners (ACFE) found that although fraudulent financial reporting is the least common form of fraud when it occurs, it results in the highest average losses for the Company.

3. RESEARCH METHOD

This case study is comparative descriptive qualitative research. According to Moleong (2005), qualitative research is research that intends to understand phenomena about what is experienced by research subjects, for example, behavior, perceptions, motivations, actions, etc., holistically and by way of diathesis in the form of words and phrases, language, in a special natural context and by utilizing various natural methods. Another definition put forward by Nazir (2005) is that descriptive research includes collecting data to test hypotheses or answer questions about the latest status of research subjects whose data collection is done through a list of questions in surveys, interviews, or observations. The analysis in this study was conducted by comparing the board capital of the members of the Garuda Board of Commissioners consisting of education/skills, experience, and relevant ongoing training to support the implementation of the duties of the Board of Commissioners in the period from 2014 to 2020 with the board capital of similar companies in Singapore, namely Singapore Airlines and PT Telekomunikasi (Persero) Tbk which are state-owned companies whose shares are also listed on the New York Stock Exchange with very strict implementation of corporate governance rules.

According to Sugiyono (2012), the object of research is an attribute or nature or value of people, objects, or activities that have certain variations that are determined by researchers to be studied, and then conclusions are drawn. The object of this research is the board capital of the members of Garuda's Board of Commissioners.

This research was conducted using the documentation method. The documentation method used in this research includes searching for reference sources from relevant books, regulations, annual reports, and data relevant to the research.

After the necessary data and information obtained, it is recapitulated and processed into a table. Then, a comparison between Garuda's board capital and the board capital of comparison companies, namely Singapore Airlines, which is a company engaged in aviation and state-owned enterprises in Singapore and PT Telekomunikasi Indonesia (Persero) Tbk, a state-owned company whose shares have been listed on the New York Stock Exchange, which applies strict corporate governance principles, is made.

By doing a comparative analysis of the board capital, conclusions can be drawn about what elements of board capital are not owned by the members of the Board of Commissioners of Garuda but are owned by the members of the Board of Commissioners of Singapore Airlines and Telkom which enable a misstatement of Garuda's financial statements but not those of Singapore Airlines and Telkom.

4. ORGANIZATION PROFILE

Garuda is Indonesia's first national airline which was formed on December 21, 1949 and was originally named Garuda Indonesian Airways by President Soekarno. The first President Director of Garuda was a Dutchman, namely Dr. E. Konijnburg. The first Garuda fleet was also a legacy of KLM-IIB. On December 28, 1949, two Dakota planes (DC-3) departed from Kemayoran airport, Jakarta, to Yogyakarta to pick up President Soekarno to be brought back to Jakarta, which also marked the relocation of the Indonesian capital to Jakarta. Since then, Garuda has continued to grow until it is known today as Garuda Indonesia.

Until now, Garuda serves more than 90 destinations around the world and various exotic locations in Indonesia. Garuda Indonesia group operates a fleet of 210 aircraft in total with an average fleet age of under five years old. Meanwhile, Garuda Indonesia, as the main brand, currently operates 142 aircraft, while Citilink operates 68 fleets. With the number of flights reaching 600 flights per day, Garuda provides the best service through the concept of "Garuda Indonesia Experience", which emphasizes "Indonesian Hospitality", namely the concept of hospitality and the richness of Indonesian culture.

Vision and Mission of PT Garuda Indonesia (Persero) Tbk

Vision

“To Become a Sustainable Aviation Group by Connecting Indonesia and Beyond While Delivering Indonesian Hospitality”

Mission

“Strengthening Business Fundamental through Strong Revenue Growth, Cost Leadership Implementation, Organization Effectiveness and Group Synergy Reinforcement While Focusing on High Standard of Safety and Customer-Oriented Services Delivered by Professional & Passionate Employees”

Corporate Governance of PT Garuda Indonesia (Persero) Tbk

The 2019 Garuda management system is seen to use a two-tier system, where the role of the Board of Commissioners as a supervisor and the role of the board of directors as the executor/executive are integrated into the Company's organs. The separation of functions is intended to avoid conflicts of interest and increase the independence of the parties within the organ so as to optimize the Company's performance.

Garuda applies the principles of Good Corporate Governance in its operations to grow, develop, and be sustainable. As a state-owned and public company, Garuda prioritizes the survival of the Company and the welfare of its shareholders. Therefore, the implementation of good corporate Governance aims to:

- a. Optimize the value of the Company so that it has strong competitiveness, both nationally and internationally so that it will be able to maintain its existence and live sustainably to achieve the Company's goals and objectives.
- b. Encourage professional, efficient, and effective company management, as well as empowering functions and increasing the independence of company organs.
- c. Encourage company organs to make decisions and carry out actions based on high moral values and compliance with laws and regulations, as well as awareness of the existence of corporate social responsibility towards stakeholders and environmental sustainability around BUMN.
- d. Increase the Company's contribution to the national economy.
- e. Improve a conducive climate for the development of the national investment.
- f. The Company must always ensure the implementation of GCG principles in every business activity of the Company.

5. RESULTS AND DISCUSSION

Company Board Capital Analysis

As explained in the previous chapter, this research is case study research that assesses how educational background, experience, and competency development programs affect the implementation of good Corporate Governance. The unit of analysis used is Garuda as the main unit of the research object. The profile of each commissioner who has served in the ranks of Garuda's organizational structure is presented with an emphasis on the educational background, work/organization experiences, and training (a variety of relevant training to support the implementation of the duties they have attended). These three things represent board capital because education, knowledge or experience, and relevant ongoing training to update the competence of members of the board of commissioners should be able to improve their ability to carry out their duties. The profile of the commissioners from Garuda is obtained from the Company's official website and the Company's annual report, which can be accessed and is open to the public.

As shown in the table below, which is summarized from the description of the profiles of the members of the Board of Commissioners presented after the table, all members of the Board of Commissioners have three board capital criteria, both aspects of education, work experience, and training. However, during the research period from 2012 to 2020, there was only one member of the commissioners with financial and accounting background, Mrs. Betty Alisjahbana in the period of 2012-2014 and Mr Chairul Tanjung in the period of 2014-2020. Meanwhile, there were to members with financial backround in the period of 2019-202, they were Mr Chairul Tanjung and Mr Peter F. Gontha. From the aspect of training, during the period from 2014 to 2018, the members of the Board of Commissioners generally attended batches of training related to operations, industry, and finance. However, since 2018, there has been no training for Garuda's Board of Commissioners members to increase their scientific capacity and competence. This is in contrast to the members of the Board of Commissioners of comparison companies in Singapore Airlines and Telkom where all of these aspects are met.

Table 5.1 Board Capital of the Board of Commissioners of PT Garuda Indonesia (Persero) Tbk

Board Capital Anggota Dewan Komisaris Garuda								
Komisaris	Masa Jabatan	Pendidikan/Keahlian di bidang akuntansi dan keuangan	Pendidikan/Keahlian di bidang penerbangan/engineering	Pengalaman di bidang akuntansi dan keuangan	Pengalaman di bidang penerbangan/engineering	Reputasi/Jaringan	Pelatihan berkelanjutan di bidang akuntansi dan keuangan	Pelatihan berkelanjutan di bidang penerbangan/engineering
IL	2019-2020					<input checked="" type="checkbox"/>		
EPP	2019-2020	<input checked="" type="checkbox"/>			<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		
PFG	2019-2020	<input checked="" type="checkbox"/>			<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		
TM	2020					<input checked="" type="checkbox"/>		
EL	2019-2020					<input checked="" type="checkbox"/>		
ZA	2019-2021					<input checked="" type="checkbox"/>		
CT	2014-2020	<input checked="" type="checkbox"/>			<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>
AS	2018		<input checked="" type="checkbox"/>			<input checked="" type="checkbox"/>		
MI	2014-2018		<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
DO	2014-2018		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
JSD	2014-2017		<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
HMS	2014-2017		<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
IR	2014-2017			<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
SHY	2013					<input checked="" type="checkbox"/>		
CK	2013		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>		
WA	2012-2013		<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		
BSA	2012-2013		<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		
BS	2012-2013		<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		
BW	2012-2013		<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		
PFG	2012-2013	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>		
H	2012		<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		
A	2012	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		
SLG	2012	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>		
ARA	2012		<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		

Jusman Syafii Djamaal was the President Commissioner as well as the Independent Commissioner from the period of 2014 – 2017. He is a Bachelor of Aviation Engineering from ITB. It can be said that he has a qualified background because his educational background and experience are in line with Garuda's needs. In addition, his history of position and experience before serving as a Commissioner at Garuda also supports his competence to become a Board of Commissioners. He previously served as the Minister of Transportation, President Commissioner at Telkom, and President Director at PT Dirgantara Indonesia Tbk, as well as Director at PT ITPN. The training he received while serving as a commissioner also supports his role as the Board of Commissioners and could increase scientific capacity both theoretically and applied. Several batches of training can also support improving the quality of supervision as a Board of Commissioners, including Airlines Industry, Market Trends & Impact in Jakarta and Sharing Session Business Strategy. This training is included in the category that can help the Board of Commissioners increase its supervisory role.

Agus Santoso was the main commissioner and independent commissioner in 2017. He has a master's degree in aircraft engineering. Educational background can support the supervision of Garuda, especially in relation to business operations. He is also a doctor in the field of management science. He has also been an important official at the Ministry of Transportation and PT Angkasa Pura I. According to Garuda's records, during his time as a commissioner, he has never participated in any competency improvement program.

Triawan Munaf was the main commissioner for the 2019 – 2020 period. His background is not sufficient to support the supervisory role carried out by the Board

of Commissioners because he has no educational background or experience related to aviation. He holds a bachelor's degree in political science and a master's degree in computer technology which are not related to his role on the Board of Commissioners at Garuda. Previously he served as the Chairman of PT Senopati Guntur and the Chairman BEKRAF.

Hasan M Soedjono was an independent commissioner for the period of 2014 – 2017. He is a graduate in petroleum engineering, which is not related to his role in the Board of Commissioners at Garuda. However, his previous positions as a chairman show that he was quite capable in supporting his competence as the member of the Board of Commissioners, including serving as a director in several aircraft industries at home and abroad. The training that he has attended is quite related to increasing his capabilities and knowledge as the member of the Board of Commissioners.

Isa Rachmatawarta was a member of the commissioner for the period of 2014 – 2017. He has a master's degree in mathematics. His educational background is not sufficient to support the competencies required as the member of the Board of Commissioners at Garuda. Plus, the history of positions that he has served as also does not correlate with his duties and roles as the member of the Board of Commissioners. However, he received several batches of training to support the improvement of his knowledge and competence as the members of the Board of Commissioners.

Muzaffar Ismail was a member of the commissioner for the period of 2014 – 2018. He has a master's degree in public administration. The educational background is not sufficiently qualified to support the supervisory role performed at Garuda. However, some of his tenures are related to air transportation. He was also provided with several related batches of training to improve his competence.

Doni Oskaria was a member of the commissioner for the period of 2014 – 2018. He has a master's degree in management, which is quite supportive of his ability to supervise as a member of the Board of Commissioners at Garuda. His work experience, which is dominated by the banking industry, can support his competence as a member of the Board of Commissioners. During his tenure, he was provided with several batches of training and related competency improvement programs to increase his capability as one of the members of the Board of Commissioners.

Chairul Tanjung was a member of the commissioner for 2014 – 2020. He has a bachelor's and master's degrees in economics. This background is sufficient to support his role on the Board of Commissioners. He has also served as Director of CT Corp and Auditor of BPKP. This experience more or less could help support the supervisory role of the Board of Commissioners. In addition, several batches of training related to competency improvement have also been attended, including those regarding the airline's industry, capacity, capability, and profitability.

Elsa Lumbantoruan was a member of the commissioner for 2019 – 2020. She is a graduate of mathematics. Her educational background is not sufficient to

As a comparison, in Singapore Airlines, the Board members has a very strong background in the business and finance fields and are active in companies engaged in business mergers and acquisitions as well as finance and capital markets. This seems to support their role in overseeing the work of management. Based on the profiles in the table of the members of the Board of Commissioners of the Company, it can be seen that they certainly have strong networks and connections with the business and financial community, which greatly support their role as members of the Board of Commissioners. The profile of each member of the Board of Commissioners is presented below.

Peter Seah Lim Huat is the president and director at DBS Bank, DBS Group and LaSalle College of Arts Limited. Seah has been a banker for the last 30 years. Seah is also a Bachelor of business administration. These two things greatly support his ability and competence as the member of the Board of Commissioners.

Gautam Banarjee is a retiree from PWC Singapore who has been practicing professionally for approximately 30 years. Currently, Banarjee is a Senior Managing Director at Blackstone Group and several other companies. Banarjee holds a bachelor's degree in accounting and is a certified Chartered Accountant. These two things greatly support Banarjee's capability to carry out a supervisory role.

Simon Cheong Sae Pong is the chairman of SC Global Development Pte Ltd. Cheong has 30 years of experience in property, banking, and international finance. Cheong has a bachelor's degree in civil engineering, and a master's degree in business administration. These two things really support Cheong's competence to become the member of the Board of Commissioners.

David John Gledhill is the Head of Group Technology and Operations at DBS Bank. Previously David worked at JP Morgan for approximately 20 years. David is a computer graduate from Durham University. His experience at JP Morgan for approximately 20 years is something that can support the supervision carried out as a member of the Board of Commissioners.

Goh Swee Chen is a former director of the Shell Group. Chen worked at Shell for approximately 16 years. Chen has a Bachelor of Science and master's degree in business administration. These two things are some factors that strongly support his competence in carrying out his supervisory duties as the member of the Board of Commissioners.

Dominic Ho Chiu Fai is a director of DBS Bank Ltd. He started his career as an auditor at KPMG in 1975. Ho retired as the co-director of KPMG. Ho is a Bachelor of Science and a Master of Business Administration. His career as an auditor at KPMG greatly supports Ho's competence as the member of the Board of Commissioners.

Hsieh Tsun Yan is the director of LinHart Group. Hsieh is experienced in the areas of business strategy, leadership development, and corporate transformation. Hsieh has a Bachelor of Science and a Master of Business Administration. Hsieh's

experience and educational background greatly support his role as the member of the Board of Commissioners.

Lee Kim Shin is a lawyer and councilor at Allen and Gledhill LLP. Lee worked at the Company as a partner for about 30 years. Lee is a law graduate from the National University of Singapore. Lee's career experience in the legal field is one of the pillars of his duties as the member of the Board of Commissioners.

Goh Choon Pong is the CEO of Singapore Airlines Ltd. Goh has won various awards related to his competence as a CEO. This greatly supports Goh's ability to carry out his duties as the member of the Board of Commissioners.

Helmut Gunter Wilhelm Panke is a manager and a physicist with over 30 years of experience at Microsoft, Bayer AG, and Singapore Airlines. Helmut's experience in various industries greatly supports his role as the member of the Board of Commissioners.

William Fung is an MBA graduate from Harvard University who is one of the sons of the founder of the Li & Fung family company. Fung himself is also a non-executive director of HSBC Holdings. These two things support Fung's competence as the member of the Board of Commissioners.

PT Telekomunikasi Indonesia (Persero) Tbk

As an additional comparison, the following table presents the Board Capital of another company, namely PT Telkom Indonesia (Persero) Tbk.

Table 5.3 Board Capital of the Board of Commissioners of PT Telekomunikasi Indonesia (Persero) Tbk.

Komisaris	Masa Jabatan	Pendidikan/Keahlian di bidang akuntansi dan keuangan	Pendidikan/Keahlian di bidang IT	Pengalaman di bidang akuntansi dan keuangan	Pengalaman di bidang IT	Reputasi/Jaringan	Pelatihan berkelanjutan di bidang akuntansi dan keuangan	Pelatihan berkelanjutan di bidang IT
AD	2020				<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		
AFA	2020					<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
CAS	2020	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>		
RMA	2020						<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
WI	2020					<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
RK	2019-2020	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
MRP	2019-2020	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
MWK	2019-2020		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
MD	2016-2020			<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
RF	2016-2019				<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>
EHA	2018	<input checked="" type="checkbox"/>			<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>
IR	2018			<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>
HS	2016-2018	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
DOFP	2016-2018					<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>
PPJW	2016-2018		<input checked="" type="checkbox"/>			<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>
CA	2017 & 2019		<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>
HY	2016-2017			<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
PT	2016			<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>

Meanwhile, when compared to companies with fellow SOEs, namely Telkom, regarding the formal educational background and experience of the Board of Commissioners, the reporting of information presented by Telkom in the GCG

Report and Annual Report was clearly reported from 2016 to 2020 (as can be seen in the table above), Telkom is highly committed to improving the competence of its Board of Commissioners. This is one of the factors that causes Telkom to have no case of misstatement of financial statements like Garuda.

One of the things that should be considered when selecting the Board of Commissioners is educational qualifications and experience; although, in practice, the managerial skills of a member of the Board of Commissioners are not always obtained from an educational background. Darmadi (2013) states that managerial and leadership skills have an important role because they are found in several companies that have good performance managed by people who do not have high educational qualifications.

The Board of Commissioners is responsible for overseeing the financial reporting processes of public entities. The presence of the Board of Commissioners is very important in an organization. They play an important role in ensuring that the Company's financial statements are accurate by providing independent and objective oversight of the financial reporting system (Buchalter & Yokomoto, 2003).

It is their responsibility to ensure the integrity of the Company's financial statements. They are expected to set the tone and create an enabling environment that will facilitate the production of credible and reliable financial reports. However, the failure of the Board of Commissioners to effectively carry out its legal obligations has been determined to be the cause of financial statement fraud (Beasley, 1996; Cohen *et al.*, 2007; Beasley *et al.*, 2009; Asyiquin *et al.*, 2014). Some critics point to the fact that executives can elect their cronies to function as compliant boards that depend on them (executives) for all their information (Cohen *et al.*, 2007).

A study conducted by Persons (2005) revealed that the possibility of financial statement errors is lower when there are fewer independent members of the Board of Commissioners. The results are based on logit regression analysis and a matched sample of 111 fraudulent firms and 111 non-fraud firms from 1999 to 2003.

An expertise in finance and accounting is another important feature that must be possessed by the board of commissioner so that they are able to carry out preliminary investigations. The authors believe that the Board of Commissioners with accounting/finance knowledge is more likely to detect financial irregularities (Persons, 2005). Agrawal and Chadha (2005) define a director's financial expertise as someone with a certified public accountant (CPA), certified financial analyst (CFA), or experience in financial management. Empirical studies, regulators, and corporate governance experts have emphasized the importance of the financial expertise of the Board of Commissioners in fulfilling their primary responsibilities in overseeing the financial reporting process and improving the quality of financial reporting within the organization.

Archambeault (2002) found that the Board of Commissioners of companies that experienced fraud was less financially literate than those who did not commit fraud.

The results of the logistic regression show a negative and significant relationship between the proportion of the Board of Commissioners with financial expertise and the possibility of fraud. This study was based on a sample of 138 matched pairs of fraudulent and non-fraud firms from the US. In a survey of 87 US firms identified by the SEC as fraudulently manipulating their financial statements, Farber (2005) found that Boards of Commissioners with financial expertise were compared to those with financial expertise.

In addition, Agrawal and Chadha (2005) found that firms whose Boards of Commissioners with financial expertise have lower financial restatement opportunities. They conclude that the Board of Commissioners is independent with important financial expertise during the oversight of the accounting reporting process of the Company concerned. Furthermore, Mustafa and Youssef (2010) examined the relationship between the financial expertise of the Board of Commissioners and the incidence of misappropriation of assets in US public companies using two types of financial expertise: accounting and non-accounting financial expertise. They classify a person as having financial expertise if the Board of Commissioners' educational background contains one of the following titles: certified public accountant (CPA), certified management accountant (CMA), chief accounting officer (CAO), principal accounting officer (PAO) or auditor. With a sample of 28 firms experiencing asset misappropriation from 1987 to 2001, as well as 28 matched industrial control firms, the authors support the view that only a board of commissioners with financial expertise can be effective in reducing the occurrence of asset misappropriation in public companies.

As an additional analysis, Garuda's annual report contains a meeting between the Independent Commissioner (see Table 5.4 below) and the Audit Committee, which chairs the Audit Committee, which was formed to supervise the preparation and presentation of financial reports prepared by the management.

Table 5.4 Independent Commissioners of PT Garuda Indonesia (Persero) Tbk.

Periode	Nama	Latar Belakang Akademik	Pengalaman	Pelatihan
2012-2014	Betti S. Alisjahbana	Sarjana Akuntansi	Anggota Komunitas Manajemen Risiko pada PRiMA dan LSPMR	Sertifikat Profesional Manajemen Risiko dari Lembaga Sertifikasi Profesi Manajemen Risiko (LSPMR)
		Master in Business Administration	Deputy Senior Manager PT Perusahaan Pengelola Aset (PPA) Badan Penyehatan Perbankan Nasional (BPPN)	
2015-2017	Hasan M. Soedjono	Bachelor of Science (BSc) Double Degree, Systems Engineering & Chemical Engineering MBA, Business Adm	Pegawai Tinggi pada Badan Kebijakan Fiskal dan Kepala Biro Perasuransian di Kementerian Keuangan	Market Trends and Impact
			Staf Ahli Bidang Kebijakan dan Regulasi Jasa Keuangan dan Pasar Modal di Kementerian Keuangan Chairman PT Naviga Tech Asia	Seminar A330 & A350: Capacity, Capability and Profitability. NOBEL Lauraetes Lecture
2018	Hasan M. Soedjono	Bachelor of Science (BSc) Double Degree, Systems Engineering & Chemical Engineering MBA, Business Adm	Pegawai Tinggi pada Badan Kebijakan Fiskal dan Kepala Biro Perasuransian di Kementerian Keuangan	Market Trends and Impact
			Staf Ahli Bidang Kebijakan dan Regulasi Jasa Keuangan dan Pasar Modal di Kementerian Keuangan Chairman PT Naviga Tech Asia	Seminar A330 & A350: Capacity, Capability and Profitability. NOBEL Lauraetes Lecture
2019	Eddy Porwanto Poo	Finance and Banking Accounting	Ketua Umum Asosiasi Penambang Nikel Indonesia Presiden Komisaris di PT Timah (Persero) Tbk PT Feron Tambang Kalimantan CFO Delta Dunia Makmur CFO di General Motors Indonesia President Director Mc Kinsey Indonesia	
			Insmerda Lebang	Kepolisian
2020	Elisa Lumbantoruan	Matematika	President Director & CEO - PT ISS Indonesia & ISS Indonesia Group	
			Zannuba Arifah Ch. R	Komunikasi Visual Adm. Publik

From all the meetings held, it can be seen that every year several meetings were held with the Audit Committee in the period from 2012 to 2020, which was chaired by an Independent Commissioner. During the research period from 2012 to 2020, only from 2012 to 2014 and in 2019, the Audit Committee meeting was attended by an Independent Commissioner with a financial and accounting background, namely Mrs Betty Alisjahbana and Mr Eddy Porwanto Poo, respectively. Prior to that year, all Audit Committee meetings were always chaired by a commissioner who had no educational background and experience in finance and accounting. This could be an indication of the weakness of the Board of Commissioners in carrying out their duties in supervising the preparation of financial statements, which could result in the identification of errors in the preparation of financial statements, especially in 2018 when a misstatement occurred which resulted in the restatement of Garuda's financial statements.

For comparison, it can be seen in Table 5.5. and Table 5.6 below that Singapore Airlines Independent Directors are Directors who have experience in accounting and finance and have worked for the Big Four consulting companies and are still actively working for various companies engaged in finance and business. Therefore, they have a very strong board capital in supporting the implementation of their duties. There is no information available regarding the batches of training attended by members of the Board of Directors of Singapore Airlines.

Table 5.5 Independent Directors of Singapore Airlines

Periode	Nama	Latar Belakang Akademik	Pengalaman
2018-2020	Gautam Banerjee	Bachelor of Science (Honours) degree from Warwick University	Senior Managing Director of Blackstone Group and the Chairman of Blackstone Singapore
		Honorary Doctor of Laws (LLD) from Warwick University	Executive Chairman of PricewaterhouseCoopers (PwC) Singapore
			Independent director on the Board of Singapore Airlines Limited, Singapore Telecommunications and GIC Private Limited
	Hsieh Tsun-yan	Mechanical Engineering, University of Alberta	Chairman and Lead Counselor of LinHart Group
		MBA Finance and Operations, Harvard Business School	Board member of Dyson Singapore Board Member of Manulife Professor in National University of Singapore Director of McKinsey
	Dominic Ho Chiu Fai	University of Houston in the United States	Chairman of DBS Bank (China) Limited Co-Chairman of KPMG Director of DBS Bank (Hong Kong) Limited Chairman, National Arts Council, and Board Chair, Nanyang Technological University, Singapore (NTU)
2019-2020	Goh Swee Chen	B.Sc., Victoria University MBA, Chicago Booth, University of Chicago	Chairman, Shell Companies in Singapore Board of JTC Corporation Board of Woodside Petroleum (Australia) Member of the Legal Services Commission

On the other hand, although their Independent Commissioner does not have an accounting education background, as a company whose shares are listed on the New York Stock Exchange, Telkom is bound to comply with very strict corporate governance regulations, so the Independent Commissioner is seen participating in batches of training regarding updates in Accounting standards and International Financial Reporting Standards (IFRS) because the reported financial statements are based on IFRS, as can be seen in Table 5.6. Independent Commissioner of Telkom below). These batches of training on IFRS provide good accounting mastery for the members of the Board of Commissioners at Telkom.

Table 5.6. The Background of Independent Commissioners in PT Telekomunikasi Indonesia (Persero) Tbk

Periode	Nama	Latar Belakang Akademik	Pengalaman	Pelatihan
2016	Rinaldi Firmansyah	Electrical Engineering (Ir), Bandung Institute of Technology Master of Business Administration (MBA), IPMI Jakarta Chartered Financial Analyst (CFA), AIMR, Charlottesville, USA	Director of Finance, Telkom Indonesia Commissioner and Head of Audit Committee at PT Semen Padang	Kerjasama Pusat Inovasi dengan SKTelecom Executive Leadership and Risk Management Program
	Margiyono Darsasumarja	Bachelor degree in Law from Universitas Indonesia Master degree in Cyber Law, School of Law, University of Leeds	Coordinator of Advocacy and Partnership for Government of the Bureaucracy Reform Project Lecturer in Law and Media Ethics, Bakrie University, Indonesia Media Development Manager at Voice of Human Rights (VHR) Media	Gartner Security and Risk Management Summit Inorganic Panel Discussion 2019 Inorganic Summit 2019
2017	Dolfie Othniel Fredric Palit	Sarjana dari Institut Teknologi Bandung	Anggota Tim Pengawas Bank Century Anggota Badan Anggaran DPR RI Anggota Panitia Khusus UU tentang BPJS Direktur Eksekutif, Yayasan Bumi Indonesia Hijau	
2017-2019	Margiyono Darsasumarja	Bachelor degree in Law from Universitas Indonesia Master degree in Cyber Law, School of Law, University of Leeds	Coordinator of Advocacy and Partnership for Government of the Bureaucracy Reform Project Lecturer in Law and Media Ethics, Bakrie University, Indonesia Media Development Manager at Voice of Human Rights (VHR) Media	Gartner Security and Risk Management Summit Inorganic Panel Discussion 2015 Inorganic Summit 2019
	Cahyana Ahmadjayadi	Bachelor degree in industrial engineering from Bandung Institute of Technology Master degree in Law of Technology/Business from University of Padjajaran, Bandung Doctoral degree in Cyber Law from University of Padjajaran, Bandung	Commissioner, PT Bank Mandiri (Persero) Tbk Expert staff, Ministry of Communication and Informatics Founder Pengelola Nama Domain Internet Indonesia (PANDI). Director General of Telematics Application, Ministry of Communication and Informatics. Deputy for Communication & Information Network, Ministry of Communication and Informatics	Mobile World Congress 2019 Visit Silicon Valley Huawei invitation and Visit IoT Experience Inorganic Panel Discussion 2015 Inorganic Summit 2019 Sharing Session Implementasi ISO 37001
2020	Chandra Arie Setiawan	Bachelor degree in Economics, Universitas Indonesia, Indonesia Master degree in Management, Universitas Indonesia, Indonesia.	Head of Telkom Regional V Division, West Java Chief Executive Officer (CEO), PT Sarana Global Indonesia. Director, PT Ketrosden Triasmitra Vice President (VP) Marketing, PT Sanatel.	Update PSAK dan SEC Sharing Session TKDN dengan BPKP Sosialisasi OJK
	Marsudi Wahyu Kisworo	Bachelor degree in Electrical Engineering, Institut Teknologi Bandung, Indonesia. Post Graduate Diploma in Computer Science, Curtin University of Technology, Australia. Doctoral degree in Information Technology and Professor in Computer Science, Curtin University of Technology, Australia.	Professor of Computer Science, Universitas Prasetiya Mulya and Universitas Bina Darma Cyber Telematics and Defense Expert Staff, Ministry of Defense Republic Indonesia. Advisory Team of the 100 Smart-City Movement, Ministry of Communication and Information Technology of Republic of Indonesia Member of Penitentiary Advisory Centre, Ministry of Defense and Human Rights Republic Indonesia. Member of the Board of Trustees, Association of Islamic Economics.	FGD Penyusunan Kebijakan Manajemen Krisis Siber ICA International Conference Inorganic Summit 2019 5G Summit Qualcomm Property Outlook 2020
	Wawan Iriawan	Bachelor degree in Law, Universitas Jenderal Soedirman, Indonesia Master degree in Law, Universitas Padjajaran, Indonesia Doctoral degree in Law, Universitas Padjajaran, Indonesia	Managing Partner, Iriawan & Co	Update PSAK dan SEC Sharing Session TKDN dengan BPKP Sosialisasi OJK

6. CONCLUSION AND RECOMMENDATIONS

Theoretically, good corporate governance requires the Board of Commissioners to have relevant educational background and experience to be able to assist

shareholders in supervising the Board of Directors in charge of achieving the Company's goals. The responsibilities of the Board of Commissioners include providing advice, supervising, and controlling the work of the Board of Directors. To be able to carry out these responsibilities, the Board of Commissioners must have the relevant educational background, work experience, and training.

Based on the data and analysis conducted on the profiles of the members of the Board of Commissioners, it can be concluded that the members of the Board of Commissioners of Garuda actually have the elements of board capital which are needed to support them in carrying out their duties. However, only in the years 2012 to 2014 and 2019 there were Independent Commissioners who had background and experience in accounting and finance who acted as the Chairman of the Audit Committee. From 2014 to 2018, there were no members of the Board of Commissioners who had a background and mastered the accounting field, resulting in a misstatement that resulted in the restatement of financial statements in 2018.

This can answer the first question in the formulation of the problem, namely that the board capital of the members of the Garuda Board of Commissioners, who is the chairman of the Audit Committee, does not have sufficient accounting and financial capabilities to support the implementation of their duties in supervising the preparation and financial reporting.

Based on the qualitative analysis conducted on Garuda, Singapore Airlines, and Telkom related to information regarding the relationship between educational background and experience, especially in terms of supervision to prevent misstatement and restatement of financial statements, an Independent Commissioner who has expertise in finance and accounting is needed to lead and become the Chairman of the Audit Committee in order to carry out the responsibility of supervising the preparation of financial statements.

Garuda Indonesia Tbk must elect at least one member of the board of commissioners who has financial or accounting education background to raise awareness in presenting fraud-free financial statements. In addition, Garuda Indonesia Tbk must also provide competency improvement programs related to the presentation of appropriate financial statements for the board of commissioners or audit committees to avoid asset misappropriation which in turn leads to fraudulent practices in the presentation of financial statements.

Although based on the secondary data it can be concluded whether the board capital of the members of the Board of Commissioners is adequate and can support the implementation of their duties, the availability of the primary data obtained

through surveys and interviews will be very important in supporting the validity of the analysis and conclusions of the study. The limitation of this study is the limited data and primary references.

Primary data can produce other data and information besides board capital, because factors that are also very important in preventing misstatement and restatement of financial statements are processes and procedures as well as the systems built and run by the Board of Commissioners in carrying out their duties. This is what cannot be obtained in research conducted through secondary data collection alone such as this study.

A suggestion for further research, of course, is to collect data through primary data as mentioned in the limitations of the research above, so, this can be done. It is better if case studies are carried out in cases that do not involve a court process so that there are no sensitive matters that can prevent the primary data from being obtained from the relevant parties.

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