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INTERNAL CONTROL OVER FINANCIAL REPORTING (ICOFR) ANALYSIS (STUDY CASE PT GARUDA INDONESIA OVER THE YEAR 2012-2020)

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INTERNAL CONTROLS OVER FINANCIAL REPORTING (ICOFR) STUDY CASE PT. GARUDA INDONESIA TBK FROM 2012 TO 2020

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ABSTRACT

This study aimed to examine the Internal Control over Financial Reporting (ICOFR) at PT Garuda Indonesia Tbk from 2012 to 2020 and investigate any problems in the implementation. The 2018 financial statements of PT Garuda Indonesia Tbk violate revenue recognition. The statements contradict the Accounting Standards and restatements of the 2012 and 2013 books. This is because PT Garuda Indonesia acquired the transaction of PT Angkasa Pura I at the end of 2013. To prevent poor financial reporting, this study aimed to determine the company's internal control based on the elements in ICOFR. The study used secondary data from the company's annual report for the period 2012 – 2020. The data were analyzed using the manual content analysis method. This method provides a score for internal control based on the ICOFR framework published by COSO. The results showed that ICOFR at PT Garuda Indonesia Tbk has not been fully implemented. ICOFR has five elements, including environmental, risk, and activity control, as well as information and communication, and monitoring. Elements of risk control and information and communication increased from 2012 to 2020. This implies PT Garuda Indonesia Tbk processes and distributes timely information according to applicable regulations. The company has a work unit that implements effective and efficient risk management. However, lack of environmental and activity control and supervision causes weak internal controls at PT Garuda Indonesia Tbk.

Keywords: Internal Control over Financial Reporting (ICOFR), PT Garuda Indonesia, Risk Control, Activities Control, Monitoring.

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1. INTRODUCTION

Internal control is the core of organizational management based on the Committee of Sponsoring Organization (COSO,2013). It constitutes plans, methods, and procedures to achieve its objectives, goals, and mission supporting performance-based management. A practical internal control significantly increases the financial information data reliability, ensuring that the board of directors, managers, and markets depend on accurate information. Furthermore, it ensures that information is not misused, meets government regulations and organizational policies and that assets and records are correct to achieve organization objectives (Thao, 2018). Internal control implies stakeholders' effective and efficient actions to provide adequate information to achieve organizational goals. This is realized through reliable financial reporting, secure state assets, and compliance with laws and regulations (Government Regulation/PP 60 of 2008).

An internal control's effectiveness is assessed from an organization's financial statement based on operation objectives and compliance with laws and regulations (COSO, 2013). Publicly traded US firms must disclose internal control information, and the management must file a report on the company's Internal Control over Financial Reporting (ICOFR) based on The Sarbanes-Oxley Act Section 404 (SOX 404).

The five COSO elements in internal control are Environmental, Risk Assessment, and Activities control, as well as Information and Communication and Monitoring. These elements increase organizational internal control structure and system. They also create a framework to evaluate the quality of internal control and integrate its different perspectives (Chen et al., 2016). Control environment and information and communication mitigate corporate insiders to withhold bad news, lowering internal control. Risk assessment guides managers to evaluate the risk accurately and prevent organizations from taking extreme risks. Furthermore, control activities ensure that organizational actions address risks. Monitoring means determining and assessing the internal control performance to ensure the organization achieves the set goals. Also, monitoring strengthens the other elements of internal control (Chen et al., 2016).

This study aimed to examine the implementation of ICOFR at PT Garuda Indonesia Tbk. from 2012 to 2020. The analysis is important in evaluating ICOFR implementation that aids in ensuring that listed companies have adequate and effective internal financial control operations. As a leading company, PT Garuda Indonesia Tbk's ICOFR evaluation is important for policymakers and investors. ICOFR refers to controls designed to address the risks associated with financial reporting. It constitutes controls providing reasonable assurance that a company's financial statements are reliable and consistent with IFRS.

This study aimed to analyze the internal control of PT Garuda Indonesia Tbk from 2012 to 2020. The analysis involved examining the company's ICOFR components, including Environmental, Risk, and Activity Control, as well as Information, Communication, and Monitoring. The results were expected to show the influence of ICOFR on the financial statements of PT Garuda Indonesia Tbk.

2. LITERATURE REVIEW

2.1. INTERNAL CONTROL

Internal control provides reasonable guarantees, not absolutes, because the process may be imperfect due to human error, collusion, and management's resistance to control. COSO presents a significant step from the internal control definition previously limited to accounting. Subsequently, internal control addresses the broad objectives of the board of commissioners and management, comprising five components. First, environmental control assesses employees' integrity, ethical values, competencies, and the environment in which they operate. Second, activities control is a necessary procedure to help ensure that actions identified by management to address risks to achieving organizational objectives are effectively implemented. Third, risk assessment indicates organizations must be aware of and deal with their risks. Organizations must integrate goals into sales, production, marketing, finance, and other activities to operate harmoniously. Furthermore, they should establish mechanisms to identify, analyze, and manage the associated risks. Fourth, information and communication mean an information and communication system. This system enables people in an organization to obtain and exchange the information needed to conduct, manage, and control operations. Fifth supervision denotes supervising the process and making the necessary changes to ensure the system acts dynamically according to situational demands.

Internal control over financial reporting is an essential feature of companies (Kinney, 2001) and auditors (AICPA 1984; COSO 2013). It is a process authorized by the board of directors or management to protect company assets and ensure compliance with laws and regulations. Effective internal control helps direct the company's operational activities and prevent fraud or abuse. The capital market operates on the principle that companies provide reliable and complete financial data to investors who make investment decisions. This ensures that information asymmetry between insiders and outsiders is mitigated. Good internal control over financial reporting reduces information asymmetry and helps achieve high-quality financial reporting (Ashbaugh-Skaife, 2007; Chin and Weng, 2010).

2.2. FINANCIAL REPORTING

The financial reporting process began with little structure or common and easy-to-understand activities. However, there is an ebb and flow of shocks to markets, backlash from standard setters and regulators, and pressure to provide more and better information for public reporting. An important part of that evolution has been a change in the standard-setting process (Munter and Robinson, 1999). Financial statements generally are reports on buying, selling, and other transactions with economic and monetary value within a certain period. The FASB states that financial reporting provides valuable information in making business and economic decisions. The reporting provides balanced financial and other information, which facilitates the efficient functioning of capital and other markets.

Furthermore, this information helps promote the efficient allocation of scarce resources in the economy. According to Rosenfield (2006), financial reporting is a two-party transaction. (1) the issuer of financial statements controls its preparation and provides it to (2) report users that utilize it in the hope of helping improve their financial activities' performance.

2.3. INTERNAL CONTROL OVER FINANCIAL REPORTING (ICOFR)

COSO presents a significant step from the internal control definition previously limited to accounting controls. Subsequently, internal controls address the broad objectives of the board of commissioners and management, comprising the following five components:

1. Control environment: The core of any business is its people, comprising their integrity, ethical values, competence, and the environment in which they operate. They are the engine that drives the organization and the foundation on which everything rests. Graham (2015) stated senior management must set appropriate standards that affect the entity personnel's control awareness. The control environment is the basis for all other components of internal control and provides discipline and structure. COSO (2013) stated that the control environment constitutes standards, processes, and structures for implementing internal control. The board of directors and the management establish the importance of internal control and the expected behavior standards.

2. Control activities: Control policies and procedures must be established to ensure that actions identified by management to address risks to achieving organizational objectives are effectively implemented. These policies and procedures must be implemented to eliminate errors in sales and expenditure transactions, accruals, and consolidations (Graham, 2015). According to COSO (2013), control activities are defined by policies and procedures to ensure that management directives to reduce risk and achieve entity objectives have been implemented. These activities are conducted at all entity levels, in various stages of business processes, and the technology environment (Pham, 2018).

3. Risk assessment: The organization must know and deal with its risks by setting goals integrated into sales, production, marketing, finance, and other activities to ensure harmonious operations. The organization should also establish mechanisms to identify, analyze, and manage the associated risks. According to Graham (2015), entities must be aware of and deal with their financial reporting risks. They must set and integrate goals into their activities to ensure concurrent operations. Establishing these objectives puts the entity in a better position to identify, analyze, and manage risks to achieve objectives.

4. Information and Communication: Around the control activities are information and communication systems that facilitate the exchange of information needed to conduct,

manage, and control organizational operations. According to Gamage and Low Lock (2014), Ho (2016), and Nguyen (2018), information and communication affect the effectiveness of the Internal Control system. A well-designed information and communication system increases the company's internal control effectiveness. The information must be determined reliably from inside and outside the company to ensure that internal control responsibilities support objective achievement.

5. Monitoring: The entire process must be monitored, and changes made as needed for the system to move dynamically according to situational demands. Under COSO, the management regularly monitors the entire company control process and communicates the problems arising within the organization. The system reacts dynamically to changing conditions and does not require special or independent audit procedures to detect problems. This makes companies proactively identify and correct internal control deficiencies. Therefore, supervision is one of the most critical aspects of internal control in any organization.

3. METHODS

Companies that do not disclose internal control over financial reporting (ICOFR) are not considered not to have implemented ICOFR (Bimo, 2017). Therefore, to assess the ICOFR starting from 1, disclosure does not give it a value of 0. The ICOFR developed by COSO is a continuation of internal control. Until now, no regulation requires companies to implement ICOFR in Indonesia. When the company discloses ICOFR activities, the quality of its financial statements is better than organizations not disclosing ICOFR activities (Bimo, 2017).

This study measured the effectiveness of the control environment through disclosure in the annual report by assigning scores of 1, 2, and 3 to each item. In this case, 1 was given when the company did not disclose ICOFR activities. A score of 2 was given when the company discloses internal control activities but is not directed to ICOFR. Additionally, 3 was given when the company disclosed ICOFR activities. Scores of 1, 2, and 3 were assigned to each question item with the criteria of poor, fair, and good, respectively.

This study evaluated the score within the components of ICOFR each year. The components are Environmental control, Risk control, Activities Control, Information and communication, and Monitoring. This scoring method provided weighting information on how PT Garuda Indonesia Tbk has implemented ICOFR. Table 1 shows the assessment items for ICOFR.

Table 1. The assessment items for ICOFR.

No	Scoring item
1	The company has a code of conduct.
2	The company has adequate independent commissioners.
3	The Board of Commissioners discusses ICOFR.
4	The company sets the financial reporting goals and its association with ICOFR.
5	One task of the IC unit is to ensure the financial report's reliability or quality.
6	CFOs have an educational background in accounting and finance.
7	Management outlines the effectiveness of ICOFR.
8	The audit committee assesses the ICOFR effectiveness.
9	Human Resource policies that emphasize integrity, commitment, and competence.
10	The audit committee discusses drafting the financial report with the management.
11	Disclosing risk management activities on Financial Report reliability.
12	Having policies to manage risks that may affect the achievement of Financial Report objectives.
13	Disclosing the risks that may affect the achievement of Financial Report objectives.
14	The company has a separate risk management function.
15	The design of ICOFR activities considers effectiveness and efficiency.
16	The company reviews operational and financial reporting manuals or procedures.
17	The company has information technology policies that promote the goals of ICOFR.
18	The company discloses that the information is processed and distributed timely and complies with laws and regulations.
19	Management follows up on audit finding identified.
20	Management reports on the ICOFR elements to the commissioner.
21	The audit committee discusses the problems related to an external auditor's achievement of the objectives of financial statements.
22	The audit committee has an educational background in accounting or finance.
23	The company has a whistleblower policy.
24	The company is implementing ICOFR.

4. ORGANIZATION PROFILE

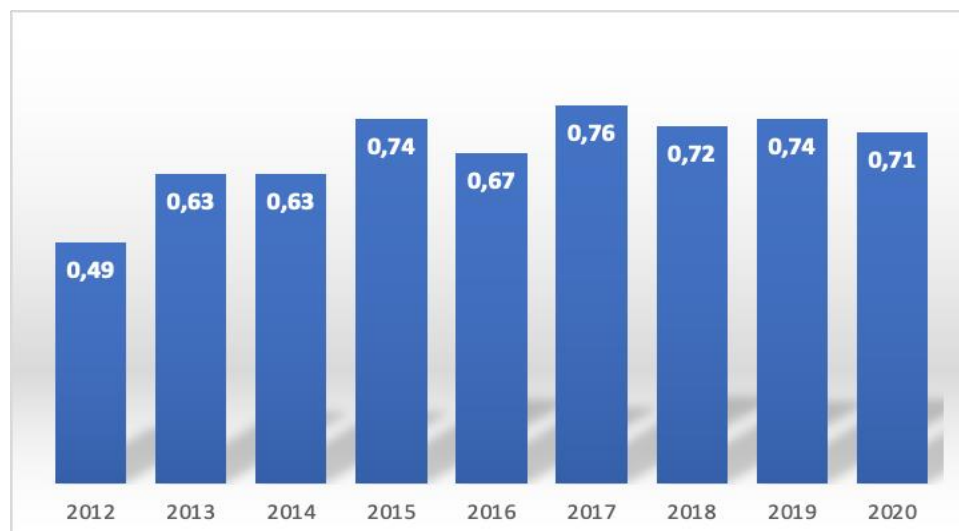
PT Garuda Indonesia Tbk was established on March 31, 1950, under the name Garuda Indonesia Airways (GIA). It is an air transportation service owned by the Republic of Indonesia. The company has served more than 90 destinations worldwide, with about 600 flights per day. PT Garuda Indonesia has a fleet of 210 aircraft with an average fleet age of under five years. Thanks to a continuous transformation program, the company has gained international recognition, including achieving The World's Best Economy Class from the TripAdvisor Travelers Choice Awards, Five-star Airline since 2014, Top 10 World's Best Airline from Sktrax 2017, and The World's Best Cabin Crew since 2014 for five consecutive years. In 2017, Garuda Indonesia won 5-Stars from the Airline Passenger Experience Association (APEX), a non-profit association for improving the flight passenger

experience in New York, United States of America. On February 11, 2011, PT Garuda Indonesia Tbk officially became a public company through an initial public offering and was listed on the Indonesian stock exchange with the code GIAA.

Internal Control at PT Garuda Indonesia Tbk refers to the framework of The Committee of Sponsoring Organizations of the Treadway Commission (COSO). The framework comprises five elements, including the Control Environment, Risk Assessment, Control Activities, Information & Communication Systems, and Monitoring. The company ensures an appropriate control environment by upholding its integrity. It implements FLYHI's corporate culture of efficiency and effectiveness, loyalty, customer centricity, honesty and openness, and integrity. Additionally, the company forms an organizational structure in line with the needs.

5. RESULT AND DISCUSSION

Table 1 shows that PT Garuda Indonesia Tbk showed positive growth in 2015. The company launched the Quantum Leaf program to become a Global Player in commercial aviation. In January 2015, Garuda Indonesia carried 1.87 million passengers, a 15.1% increase over the same period in 2014. The number of passengers increased by 1.72% in February, an increase of 10.8% over the same period in 2014. The President Director stated that the company's increased success was due to implementing the Quantum Leaf program (Garuda Indonesia, 2015). Furthermore, PT Garuda Indonesia Tbk implemented the Internal Control Over Financial Report (ICOFR) in 2015. This was reflected in the increase in ICOFR score in that year. In 2015, the company posted a net profit of US\$77.97 million, much better than in 2014, which suffered a loss of US\$368.9 million. This condition is in line with ICOFR assessments in 2014 and 2015, where the score was 45 and 53 out of 72, respectively. All assessments of the ICOFR component in 2015 were better than in 2014.



**Figure 1. Score Internal Control Over Financial Report
 of the Year 2012 – 2020**

Table 1. Scores of the respective components ICOFR and Its Averages

Component	Year									Average	Min	Max
	2012	2013	2014	2015	2016	2017	2018	2019	2020			
EC	0.52	0.70	0.67	0.74	0.70	0.63	0.63	0.52	0.59	0.63	0.52	0.74
RC	0.44	0.56	0.78	1.00	0.56	1.00	0.78	1.00	0.56	0.74	0.44	1.00
AC	0.40	0.60	0.60	0.80	0.60	0.80	0.80	0.87	0.87	0.70	0.40	0.87
IC	0.42	0.50	0.42	0.42	0.67	0.83	0.75	0.83	0.83	0.63	0.42	0.83
MT	0.67	0.67	0.67	0.78	0.78	0.78	0.78	0.78	0.78	0.74	0.67	0.78
ICOFR	0.49	0.63	0.63	0.74	0.67	0.76	0.72	0.74	0.71	0.67	0.49	0.76

Notes: EC – Environment Control; RC – Risk Control; AC – Activities Control; IC – Information and Communication; MT – Monitoring; ICOFR – Internal Control over Financial Reporting

The ICOFR score in 2012 was the lowest because the Supreme Audit Agency (BPK) delayed the repair and maintenance of PT Garuda Indonesia Tbk for the airbus by Rolls-Royce Total Care Service. The aircraft maintenance had been agreed to be completed within 45 days. However, the maintenance took 52 days, causing the company to incur revenue losses from operating aircraft. It also incurred additional aircraft charter costs of US\$4.5 million. This made the company less optimal in monitoring and evaluating the implementation of aircraft maintenance. Cooperation between PT Garuda Indonesia Tbk and Roll-Royce occurred when Roll-Royce bribed one official of PT Garuda Indonesia Tbk to obtain a total care purchase contract and the T700 engine for the Airbus A330 aircraft.

In 2013, PT Garuda Indonesia Tbk recorded a 14.2% increase in operating expenses from IDR15.2 trillion to IDR18.5 trillion. The increase was because the company's operational costs increased by 58.3%, or IDR9.4 trillion, due to the high fuel cost. However, the buyers' tendency to use airlines is still low due to inefficient flight operations in 2013. This indicates that the actions taken in 2013 to mitigate risks and avoid inefficiencies have not been implemented.

In 2014, PT Garuda Indonesia Tbk suffered a loss of US\$371.9 million based on the financial statements issued by the Indonesia Stock Exchange (IDX). The loss was caused by rising fuel prices, the largest component in the operations of PT Garuda Indonesia Tbk. Additionally, Indonesia's slow air transportation infrastructure causes inefficiency in the company's flight operations.

In 2015, the ICOFR score was significant because PT Garuda Indonesia Tbk started implementing Internal Control Over Financial Reporting (Annual Report of PT Garuda Indonesia, Tbk., 2015). In the 2015 annual report, the General Meeting of Shareholders (GMS) approved the restatement of the 2012 and 2013 financial statements audited by Deloitte (Public Accounting Firm (KAP) Osman Bing Satrio & colleagues). On 10 December 2014, PT Garuda Indonesia Tbk acquired Garuda Indonesia shares from PT Angkasa Pura 1. Therefore, PT Garuda Indonesia Tbk conducted business transactions as a state-owned enterprise (BUMN). The 2013 and 2012 financial statements have been

restated to reflect the acquisition transaction (Annual Report of PT Garuda Indonesia, Tbk., 2014).

In 2017, PT Garuda Indonesia Tbk again suffered a loss of US\$213.4 million because spending increased by 13% or US\$4.25 billion from the previous US\$3.7 billion. This expenditure was contributed mainly by fuel costs, which rose by 25% to US\$1.15 billion in 2017. Moreover, the company had to pay US\$145.8 million as tax amnesty and legal fines to Australian courts. This was because the Australian Competition and Consumer Commission (ACCC) considered 15 airlines signing agreements and pricing for transporting cargo to Australian jurisdictions.

There was a decrease in 2018 compared to 2017 due to a misstatement in the revenue account from the agreement with PT Mahata Aero Technology. The misstatement made PT Garuda Indonesia Tbk record a profit. The 2018 Financial Statements are restated because they contradict the Statement of Financial Accounting Standards (PSAK). This indicates a lack of internal control over the company, causing errors in financial statements.

In 2019, PT Garuda Indonesia Tbk was declared by the Ministry of Finance and OJK to have violated OJK Regulation Number 29/POJK.04/2016 concerning the Annual Report of Issuers or Public Companies. The company was given administrative sanctions in the form of a fine of IDR100 million. Furthermore, all Board of Directors and Commissioners members received an administrative sanction of an IDR100 million fine each. They were fined for violating Bapepam Regulation Number VIII.G.11 regarding the Board of Directors Responsibility for Financial Statements for signing or approving the Annual Report. Moreover, a case emerged where the former president director of PT Garuda Indonesia was bribed for procuring aircraft and aircraft engines from Airbus and Rolls Royce PLC. There was also a smuggling case of Harley Davidson Motorcycles and Brompton Bikes by the President Director of PT Garuda Indonesia Tbk. This incident implies a lack of internal control, supervision, or monitoring at PT Garuda Indonesia Tbk.

Table 2. Score Component Environmental Control (EC)

Component ICOFR	Item Score	Year								
		2012	2013	2014	2015	2016	2017	2018	2019	2020
EC	1	1	2	2	2	2	1	2	2	2
	2	2	2	2	2	2	2	2	2	2
	3	1	1	1	1	1	1	1	1	1
	4	1	2	2	2	2	2	2	1	2
	5	3	3	3	3	3	3	3	3	3
	6	1	3	3	3	3	3	1	1	1
	7	1	1	1	2	2	1	2	2	2
	8	2	3	2	2	2	2	2	2	2
	9	2	2	2	3	2	3	3	1	2
Total Score		14	19	18	20	19	18	18	15	17
Score*		51.85	70.37	66.67	74.07	70.37	66.67	66.67	55.55	62.97
Note: Score* = (Total score/27) x100 Item score 1 – The company develops a standards code of conduct										

Item score 2 – Adequate number of independent commissioners
Item score 3 – The board of commissioners discusses Internal Control Over Financial Reporting (ICOFR)
Item score 4 – The company establishes the objectives of the financial statements and the relationship with ICOFR
Item score 5 – One duty of the internal control unit is to ensure reliable or quality financial reports.
Item score 6 – CFO has an educational background in accounting and finance
Item score 7 – Management describes the effectiveness of ICOFR
Item score 8 – The audit committee assesses the effectiveness of the ICOFR implemented by the management
Item score 9 – The company has an HR policy that emphasizes commitment integrity and compensation

Table 2 shows that Garuda Indonesia has consistently strengthened its internal control unit to ensure reliable or quality financial reports from 2012 to 2020. PT Garuda Indonesia Tbk also maintained the number of independent commissioners above 50% from 2013 to 2017. Furthermore, the CFO has an educational background in accounting and finance. The audit committee assessed the effectiveness of ICOFR consistently implemented by management from 2012 to 2020. The company has an HR policy that emphasizes commitment to integrity and compensation, but the Board of Commissioners does not discuss ICOFR.

Table 3 shows that the Risk Control (RC) element with three items has minimum and maximum scores of 3 and 9, respectively. The implementation of Risk Control was effective in 2015, 2017, and 2019, with each score being 9/9. In 2015, the flight accuracy based on time performance / OTP was also good at 89.1%, compared to only 85.9% in 2014. Risk control was ineffective in 2012, 2013, 2016, and 2020. In 2017, Risk Control (RC) obtained the maximum score but suffered a loss of US\$219.58 million or IDR2.96 trillion. This loss is estimated because the airline's loss was around US\$222.04 million or IDR2.99 trillion from January-September 2017. Helmi Imam Satriyono, Director of Finance and Risk Management PT Garuda Indonesia Tbk tried reducing the company's losses. In the fourth quarter of 2017, Garuda Indonesia realized a profit of US\$2.46 million or IDR33.21 billion, implying the Risk Control has been implemented correctly. However, the relatively low environmental control score supports Graham's (2015) view that ineffective EC negatively affects most other components.

Table 3. Score Component Risk Control (RC)

Component ICOFR	Item Score	Year								
		2012	2013	2014	2015	2016	2017	2018	2019	2020
RC	10	1	1	3	3	1	3	3	3	1
	11	1	2	2	3	2	3	2	3	2
	12	2	2	2	3	2	3	2	3	2
Total		4	5	7	9	5	9	7	9	5
Score		44.44	55.55	77.77	100	55.55	100	77.77	100	55.55
Note:										

<p>Score* = (Total score/9) x100. Item score 10 – The audit committee holds a meeting with company management to discuss the process of preparing a financial statement (LK) Item score 11 – Companies disclose financial statement risk management activities Item score 12 – The company discloses policies to manage risks that identified can affect the achievement of the objectives of the financial statements</p>

The results in Table 3 show that PT Garuda Indonesia Tbk consistently discloses risk management activities in its financial statements. The company discloses policies to manage identified risks affecting the achievement of financial statement objectives. Also, the audit committee does not always hold meetings to discuss the preparation of financial statements.

Table 4 shows that the Activities Control (AC) element with five items obtained minimum and maximum scores of 5 and 15, respectively, from 2012 to 2020. PT Garuda Indonesia Tbk has implemented Activities Control well in 2015, 2017, 2018, 2019, and 2019, with an average score of 10.55 and a standard deviation of 2.40. The highest score was 13 out of 15 in 2019 and 2020. Furthermore, the Activity Control element is increasing. In 2019, PT Garuda Indonesia Tbk was named one of Asia's best flights by Traveler Choice Major Airline Asia, posting a net profit of Rp97.72 billion that year.

Table 4. Score Component Activities Control (AC)

Component ICOFR	Item Score	Year								
		2012	2013	2014	2015	2016	2017	2018	2019	2020
AC	13	1	1	1	3	1	3	3	3	3
	14	2	2	2	2	3	3	3	3	3
	15	1	2	3	3	2	3	3	3	3
	16	1	2	2	2	2	2	2	2	2
	17	1	2	1	2	1	1	1	2	2
Total		6	9	9	12	9	12	12	13	13
Score		40	60	60	80	60	80	80	86.67	86.67

<p>Note: Score* = (Total score/15) x100. Item score 13 – The company discloses risks that may affect achievement of financial statement objectives Item score 14 – The company has an assigned work unit implementing risk management Item score 15 – When determining management's internal control activities have considered effectiveness and efficiency Item score 16 – The company reviews the company's operational procedures (manual) and finance report. Item score 17 – The company has an Information technology policy that is directed on the achievement of ICOFR goals.</p>

PT Garuda Indonesia Tbk has a work unit implementing risk management from 2012 to 2020. The management is effective and efficient in determining internal control activities. Moreover, the company periodically reviews operational procedures or manuals and financial reporting. The Company sometimes does not disclose risks that may affect achieving the objectives of the financial statements for 2012 to 2014. From 2017 to 2020, the company disclosed risks that may affect achieving the objectives of the financial statements. Additionally, it has not consistently directed an IT policy at achieving the objectives of ICOFR.

Table 5 shows that Information and Communication (IC) elements with four items obtained minimum and maximum scores of 4 and 12, respectively. The highest score occurred in 2017, 2019, and 2020. The score for 2016, 2017, 2018, 2019, and 2020 exceeded the average, meaning the performance of Information and Communication (IC) was good. Furthermore, the IC element increased, with a high score in 2019 and 2020. The monitoring score was 7 out of 9 in 2019 and 2020.

PT. Garuda Indonesia discloses that information is processed and distributed on time and in line with applicable regulations. The company has consistently disclosed the results of the previous year's internal audit, followed up from 2016 to 2020. Similarly, the audit committee consistently discussed the achievement of financial statement objectives with external auditors from 2017 to 2020. However, the board of directors does not always report to the board of commissioners regarding ICOFR elements.

Table 5. Scores of Information and Communication (IC) component

Component ICOFR	Item score	Year								
		2012	2013	2014	2015	2016	2017	2018	2019	2020
IC	18	2	3	2	2	2	2	2	2	2
	19	1	1	1	1	3	3	3	3	3
	20	1	1	1	1	2	2	1	2	2
	21	1	1	1	1	1	3	3	3	3
Total		5	6	6	6	8	10	9	10	10
score		41.67	50	50	50	66.67	83,33	75	83,33	83,33

Note:

score*= (Total score/12) x100.

Item score 18 – The company discloses that information is processed and distributed in a timely manner according to laws and regulations

Item score 19 – The company discloses the previous period's internal audit follow-up results.

Item score 20 – The Board of Directors reports to the board of commissioners on the elements of Internal control

Item score 21 – The audit committee discusses issues related to

achievement of financial statement objectives with external auditors

The disclosure of information and communication and good monitoring revealed several cases at PT Garuda Indonesia Tbk. These cases include handwritten menu cards, the 2018 financial statements, and Harley Davidson and Brompton Bike smuggling cases.

Table 6 shows that the Monitoring (MT) element with three items obtained minimum and maximum scores of 3 and 9, respectively, from 2016 to 2020. The highest score was 7 out of the maximum 9, implying about 80% of monitoring activities have been running. The Monitoring (MT) element has an increasing trend.

Table 6. Score Component Monitoring (MT)

Component ICOFR	Item score	Year								
		2012	2013	2014	2015	2016	2017	2018	2019	2020
MT	22	2	2	2	2	3	3	3	3	3
	23	3	3	3	3	3	3	3	3	3
	24	1	1	1	2	1	1	1	1	1
Total		6	6	6	7	7	7	7	7	7
score		66.67	66.67	66.67	77.78	77.78	77.78	77.78	77.78	77.78
Note: score*= (Total score/9) x100. Item score 22 – The audit committee has an educational background in accounting and or finance Item score 23 – The company has a policy regarding whistleblowers Item score 24 – Company implements ICOFR										

Table 6 shows that PT Garuda Indonesia Tbk has an audit committee with an educational background in accounting and finance from 2012 to 2020 and whistleblowing policies. However, it is weak in implementing ICOFR, as reflected in the total value of the relatively stable monitoring element. The whistleblower system includes reporting violations or possible non-corruption, collusion, and nepotism. The policy is also seen in reporting fraud, unlawful acts, such as violence against employees, and harassment. In 2019, harassment occurred on flight GA650 on the Biak-Jayapura route. The incident was reported and immediately followed up by PT Garuda Indonesia Tbk.

6. CONCLUSION AND RECOMMANDATION

This study analyzed the financial statements of PT Garuda Indonesia Tbk from the 2012-2020 annual reports. It also analyzed the Internal Control Over Financial Reporting (ICOFR) components, including Environmental, Risk, and Activity Control, Information and Communication, and Supervision. Environmental, Risk and Activity control components were evaluated using nine, three, and five indicators, respectively. Moreover, Information, and Communication, and Monitoring elements were evaluated using four and three indicators, respectively. The analysis for 2012-2020 showed that ICOFR had not been appropriately implemented. Furthermore, the score analysis showed lacking conditions with a score of 1 in several ICOFR components from 2012 to 2020. The many incidents at PT Garuda Indonesia Tbk, such as corruption, bribery, and misstatements in financial statements, indicate a lack of internal control.

Problems at PT Garuda Indonesia Tbk are caused by several factors, such as the lack of internal control. The company is not optimal in monitoring its operations. The ICOFR score

in 2012 was the lowest compared to other years. Furthermore, the 2012 Financial Statements were restated due to the acquisition of shares in PT Angkasa Pura I and aircraft repair and maintenance delays. These conditions caused PT Garuda Indonesia Tbk to suffer losses due to a lack of supervision. The ICOFR score in 2018 decreased compared to 2017 due to a misstatement in the revenue account from the agreement with PT Mahata Aero Teknologi. This made the financial statements of PT Garuda Indonesia Tbk record a profit, necessitating restatement.

6.1 RECOMMENDATION

Implementing the Internal Control over Financial Report (ICOFR) at PT Garuda Indonesia Tbk is not optimal. Many items in each ICOFR component have not worked effectively. Therefore, this study made the following recommendations:

6.1.1 Recommendation for short-term:

The management should evaluate and continuously improve the company's internal control based on the ICOFR approach, especially the Environmental Control and Monitoring elements. This would help mitigate, detect, or resolve corruption and fraud cases and support the company in achieving its objectives.

6.1.2 Recommendation for long-term:

The many problems at PT Garuda Indonesia Tbk necessitate strengthening the Environment Control component to build staff personalities with high integrity to avoid fraud. Applying better and more open information technology would also reduce the problems. Additionally, investors should consider the company's internal control based on published annual reports to obtain certainty in investment.

6.1.3 Limitations and Suggestions for Further Studies.

This study was based on the annual report of PT Garuda Indonesia Tbk from 2012 to 2020. Internal control analysis was conducted based on the information contained in the company's annual reports. The study analyzed the environmental, risk, and activity control, as well as information and communication systems and supervision according to the ICOFR elements. However, this study had several limitations, as follows:

1. This study was only conducted on PT Garuda Indonesia Tbk. Therefore, future studies could expand the scope of business and use different periods to provide varied analyses.

2. This study only analyzed published annual reports without considering the year before the company became a public entity. Future studies could involve quarterly report analysis by conducting direct field observations and interviews with company management and related parties. This would ensure that the results are valid and provide a complete picture of PT Garuda Indonesia Tbk.

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