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ANALYSIS OF A CORRUPTION CASE AT PT APUS IN A PROCUREMENT PROCESS IN 2019 USING GOOD CORPORATE GOVERNANCE FRAMEWORK

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Abstract

The State-Owned Enterprises (“SOE”) sector is an integral part of a country's socio-economic activities. The main problem faced by SOEs today lies in governance and professionalism because the high performance of SOEs is demanded by all stakeholders. PT APUS is one of the SOEs, in 2019, there was a bribery case for the procurement process which was revealed from a sting operation by the Corruption Eradication Commission. This study aims to provide an overview and analysis of this bribery case. This problem occurred because of a case of abuse of authority in the form of handing over money to the finance director of PT APUS related to a project carried out by PT INTAN. This study uses qualitative methods to provide analysis of bribery cases based on good corporate governance (GCG) principles using the GCG framework from KNKG. The results show that PT APUS has not implemented all principles of GCG properly and effectively. This is due to the weakness of the internal control system over the company's organs and the ineffectiveness of the whistle blowing system at PT APUS.

Keywords: Corruption, GCG principles, procurement process, whistle blowing system, state-owned enterprises.

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1. INTRODUCTION

SOEs have a large contribution to the country contributing about 10% of the gross domestic product (Bruton et al., 2015). Contribution of SOEs in building social and economic activities of the community are successful and significant. However, some SOEs have not been well developed which led to various challenges and deserve separate discussion on its interests and uniqueness (Lin et al., 2020). Currently, main issues in SOEs lies in their governance and professionalism. This is evidenced by several SOEs that have some problem in implementation of GCG.

Based on Corruption Eradication Commission (*Komisi Pemberantasan Korupsi/KPK*) data, the number of corruption cases involving SOEs reached 17 cases in 2019. This number increased significantly compared to 2018 with only 5 cases. Even in previous years, the number of cases involving SOEs was at maximum of 13 cases, which was in 2017. The number of SOE cases involved in bribery (corruption) is mainly caused by internal and micro events, which are inappropriate performance of good corporate governance and non-optimal performance of managers and supervisors in carrying out their duties and responsibilities (Siringo-Ringo et al., 2020). This shows that the implementation of GCG has not become corporate culture, thus opening up opportunities for fraud (Fenwick et al., 2019).

One form of government commitment is contained in Law No. 28 of 1999 which focused on clean and free from corruption, collusion, and nepotism in the state administration through the implementation of GCG. According to the World Bank, GCG is a collection of laws, regulations, and rules that must be complied which may lead to efficient management of the company resources, generating sustainable long-term economic value for shareholders and the surrounding community as a whole. The implementation of GCG in SOEs is needed, especially with regard to policies, to control the behavior of the company and its management. The importance of implementing GCG principles in SOEs is realized by various parties which led to the issuance of the Regulation of the Minister of SOEs No: PER-01/MBU/2011 regarding the Implementation of GCG in SOEs.

In looking at the performance of a company, the implementation of GCG needs to be measured to assess whether the implementation has been carried out properly. The existence of a corporate governance mechanism shows that the company has implemented GCG, and it is expected that the company can be more transparent and responsible in conveying information addressed to stakeholders (Rustam and Narsa, 2021). The principles of GCG developed by the National Committee on Governance Policy (KNKG) (2006) include Transparency, Accountability, Responsibility, Independence, and Fairness. SOE as a company whose majority shares are owned by the government should be a reference for private companies in the effort to eradicate corruption.

In the last few decades, the issue of corruption and GCG has been in the spotlight and attracts the attention of academics and practitioners and has become an important topic of discussion, especially in Indonesia for State-

Owned Enterprises (SOEs) (Jahja et al., 2020). PT APUS is one of the SOEs engaged in services related to transportation with branches spread across the western part of Indonesia. PT APUS has a role in improving the company's business position as well as in achieving financial growth, optimizing assets, studying new business opportunities, and creating cooperation based on current market conditions and growing a sustainable business that is community oriented.

In this study, the corruption case discussed is the bribery case at PT APUS that occurred in 2019 where Mr. AYA, who was then the Finance Director of PT APUS, was proven to have received bribes in the form of money in stages with a total of USD71,000 and SGD96,700 from Mr. DM who at that time served as the President Director of PT INTAN in connection with implementing work in the procurement and installation of the Semi Baggage Handling System ("BHS") at the PT APUS Branch Office. This case was revealed from the arrest operation process by the KPK on July 31, 2019. This operation occurred based on information received by the KPK Team that there would be a handover of money from TSW to the END (driver) on July 31, 2019.

Therefore, the GCG at PT APUS is very interesting to study and needs to be investigated further because it is also one of the evaluations and tools to increase the value of business progress, increase competitiveness and sustainable long-term business growth, increase the trust of company stakeholders. Therefore, this study tries to investigate further by analyzing cases of bribery (corruption) at PT APUS in the procurement process that occurred in 2019 using the GCG framework.

2. LITERATURE REVIEW

2.1 Agency Theory

Agency theory is the basis for understanding corporate governance as a whole. Jensen and Meckling (1976) explained that the agency relationship is a contract or agreement between the manager as an agent and the investor as the principal, which sometimes causes information asymmetry from the manager to the investor, causing agency costs.

Agency theory can encourage the emergence of the concept of GCG in the company's business management, where GCG is expected to minimize unwanted things such as scandals in corruption cases through monitoring the performance of agents. Thus, GCG guarantees to shareholders that the funds invested are well managed and the agents work in accordance with their functions, responsibilities and for the benefit of the company. Ultimately, GCG can be interpreted as a system that regulates and controls companies that create added value for all stakeholders.

Agency theory is also applied to public sector entities between the government and SOEs. The 2015-2019 National Medium-Term Development Plan (RPJMN) states that SOEs play a role in national development agents to improve public services (Asmara, 2016). The government as the principal gives

task authority to SOEs to carry out development in order to achieve government targets and objectives. The relationship between agency problems between the government and SOEs will occur if the targets planned by the government are not achieved while agents also have an interest in pursuing profits. In general, conflicting objectives, agency issues (political interference), and lack of transparency are the three main problems of state-owned enterprises in the world (Wicaksono 2009: 149-143) where Indonesia also faces the same problem. Conflicting objectives mean that state-owned enterprises not only have commercial objectives but also bear the burden of fulfilling social interests such as providing employment, serving the interests of the community, and providing basic needs. In other words, unlike private companies, state-owned enterprises have a responsibility to meet the interests of the general public in addition to the task of making profits. Due to this multi-tasking, SOEs are at a disadvantage in terms of competing with purely for profit private companies.

2.2 Good Corporate Governance

GCG must be implemented by companies in order to ensure the values needed for various stakeholders. This will have an impact on improving company performance, by creating an environment that motivates managers to maximize return on investment, increase operational efficiency, and ensure long-term productivity growth. In addition, GCG can create efficiency, transparency, and consistency with laws and regulations based on GCG principles so that companies can win the global competition (Tijow, 2021).

There are many definitions related to corporate governance. Corporate governance is defined broadly according to the interests of institutions, authors, countries, and traditions that use the term. IFC defines corporate governance as a structure and process in determining the direction and supervision of the company. According to FCGI (2001), the definition of GCG is a set of regulations that regulate the relationship between shareholders, management of the company, creditors, government, employees, and other internal and external stakeholders relating to their rights and obligations, or in other words, it is a system that regulates and controls the company.

The implementation of GCG according to FCGI (2001) is expected to provide several benefits in the form of:

- a. Improving the company's performance through the creation of a better decision-making process, improving the company's operational efficiency, and further improving services to stakeholders,
- b. Making it easier to obtain cheaper financing funds so that it can further increase corporate value,
- c. Restoring investor confidence to invest in Indonesia,
- d. Satisfying shareholders with the company's performance by increasing shareholder value and dividends.

Based on regulation PER-01/MBU/2011 and KNKG, the intended GCG principles include:

1. Transparency is openness in carrying out the decision-making process and openness in disclosing material and relevant information about the company.
2. Accountability is clarity of functions, implementation, and accountability of organs so that company management is carried out effectively.
3. Responsibility is conformity of the company's management to the laws and regulations and sound corporate principles.
4. Independence is a condition in which the company is managed professionally without conflict of interest and influence/pressure from any party that is not in accordance with the laws and regulations and sound corporate principles
5. Fairness is justice and equality in fulfilling the rights of stakeholders that arise based on agreements and laws and regulations.

In the context of implementing GCG, each company must prepare corporate GCG guidelines by referring to the GCG Guidelines (KNKG, 2006) and PER-01/MBU/2011 Guidelines. The company's GCG guidelines cover several things, namely:

1. Vision, mission, and values of the company.
2. The position and function of the GMS, the Board of Commissioners, the Board of Directors, the supporting committees for the Board of Commissioners, and internal supervision.
3. Policies to ensure the effective implementation of the functions of each of the company's organs.
4. Policies to ensure the implementation of accountability, effective internal control and correct financial reporting.
5. Code of conduct based on company values and business ethics.
6. Means of information disclosure for shareholders and other stakeholders.
7. Policy for improving various company regulations in order to comply with GCG principles.

Article 44 of regulation No: SK-16/S.MBU/2012 explains that SOEs are required to measure the implementation of GCG in the form of: (i) assessment, which is a program to identify the implementation of GCG in SOEs through measuring the performance and implementation of GCG in SOEs, which is carried out systematically every 2 (two) years; and (ii) evaluation (review), which is a program to describe the follow-up to the performance and implementation of GCG in SOEs which is carried out in the following year after the assessment, which includes evaluation of the results of the assessment and follow-up on recommendations for improvement.

2.3 Whistle Blowing System

According to Usman (2021), in the implementation of GCG, the whistle blowing system is one of the elements of the company's internal control that must be designed and implemented by managers appointed by the Board of Directors to identify, detect, and resolve the possibility of criminal acts of corruption (fraud) and violations of applicable regulations that can result in losses for the company and provide formal channels, especially for company employees and third parties, namely the community, customers, partners, suppliers and other stakeholders within the company to submit complaints or complaints.

To support the above, it is necessary to make provisions regarding the whistle blowing system as one of the effective means of supervision to realize corporate management with GCG principles. This complaint handling procedure is intended as a guideline for handling complaints from employees and interested parties, so it runs more effectively, efficiently, orderly and can be accounted for in accordance with the provisions of the applicable laws and regulations.

According to Usman (2021), the purpose of making a WBS procedure includes:

1. Develop a responsive, transparent, safe, and responsible complaint handling system.
2. Provide clear and consistent procedures for handling complaints.
3. Provide a forum and guidance for whistleblowers to submit allegations of irregularities or violations of company policies and provisions as well as applicable laws and regulations.
4. Encouraging the growth of a healthy business climate in accordance with GCG principles and a clean and transparent company image.

2.4 Prior Research on SOEs

Reviews of previous research related to corruption cases using good corporate governance analysis in SOEs with a case study approach have been carried out in several countries. Previous research conducted in Denmark and Malaysia by Alnajar, (2020) investigated the proper role of corporate governance in reducing and detecting the incidence of fraud. This study only focuses on the role of the corporate governance literature in developing state regulations, especially those relating to the implementation of good corporate governance in preventing and reducing fraud. Furthermore, a study that looked at the case of corporate corruption prevention measures the role of corporate governance and sustainable regulation in Italy was also conducted by Lombardi et al., (2019). The aims of the study were to identify the drivers of sustainable corporate governance to prevent corruption, to analyze the interactions between governance bodies, and the performance and implementation of corruption prevention plans. The results of this study indicate an in-depth understanding of

governance bodies in the construction and implementation of corporate corruption prevention plans, taking into account important information from national anti-corruption laws.

Furthermore, in Lesotho (Africa) Bothale, (2020), the purpose of this study is to discuss corporate governance in SOEs in Lesotho in influencing policy. This research uses a case study with a qualitative approach. The research is limited to cases in African countries, so reconfiguration is required by looking at other institutional contexts in order to create public value. In Indonesia, Siringo-Ringo et al., (2020) conducted research related to the principle of transparency in the management of PT Perkebunan to anticipate various frauds in SOEs. This research uses a qualitative case study. The results of the study show that violations of the principle of transparency such as false and misleading statements that are not in accordance with the facts are acts of fraud. Finally, in Kenya, Awwad et al., (2021) aimed to report the results of the investigation of the influence of aggregate and individual corporate governance factors on financial performance (SOEs) in Kenya. The results of this study indicate that the corporate governance disclosure index has an impact on performance.

3. RESEARCH METHODS

There are three types of research methodologies, namely quantitative methods, qualitative methods, and mixed methods. This study will use qualitative methods. Creswell (2014) mentions qualitative research is an inquiry process of understanding based on distinct methodological traditions of inquiry that explore a social or human problem. The researcher builds a complex holistic picture, analyze words, report detailed views of information, and conducts the study in natural setting. According to Sugiyono (2018), qualitative research is research that is based on scientific conditions that exist in the field in accordance with the phenomena of the cases studied and then produces and manages descriptive data, such as transcription of case data, field observations, documentation. Qualitative research emphasizes the importance of meaning so that researchers can explore the cases studied so that they can gain a clear understanding of the conditions and reality that occur.

This research also uses a case study approach as a form of research and chooses

PT APUS on the problem of procurement of goods in 2019 as the object of research. According to Stake (2009), case study is a research method that has an important purpose in researching and revealing the uniqueness and peculiarities of the characteristics contained in the case under study, where the case is the reason why the research is carried out. Stake explained that that's why in case study research it is necessary to extract information and in-depth analysis of all matters relating to the case, whether its nature, activities, history, environmental and physical conditions, functions, and so on. The purpose of using case study research according to Yin (2014) is to explain how the existence and why the case occurred. Case study research is not just answering research questions

about 'what' the object being studied, but more comprehensively and comprehensively about 'how' and 'why'.

In this study, researchers want to observe and examine factual data on the GCG implementation process that occurred at PT APUS in 2019, then describe the findings in written form. The source of data is secondary data. Secondary data was taken from documents such as the 2018 and 2019 PT APUS Annual Reports available on the company's website as well as supporting documents for investigated cases such as the decision of the Supreme Court of the Republic of Indonesia Number 97/Pid.Sus-TPK/2019/PN.Jkt.Pst. Then the relevant literature and articles related to GCG problems in BUMN and cases of bribery (corruption) that occurred. In this research, the researcher attempts to include data without any manipulation/engineering element so that the data obtained will meet the required data validation. Efforts to obtain valid data are carried out by searching for information according to the focus being studied. Reporting data is arranged in a descriptive form then the researcher draws conclusions.

4. ORGANIZATION PROFILE

4.1 Company Profile

PT APUS is one of the State-Owned Enterprises (SOEs) which is engaged in the service business sector. Commitment to GCG Implementation within PT APUS is affirmed in the Articles of Association and various GCG policies. All PT APUS' personnel apply GCG practices in the management of the company as outlined in the Good Corporate Governance Guidelines (GCG Code). This commitment is realized, among others, by completing the GCG infrastructure that underlies the implementation of GCG in the scope of PT APUS, as well as making improvements to various GCG soft structures owned by the company.

To show the commitment to GCG implementation at PT APUS, the GCG Code will be reviewed periodically for its relevance to match its suitability with the latest conditions of the company's business environment. We define GCG as a mindset and work pattern that is applied at all levels of the company to increase transparency and accountability for the creation of an efficient and effective management system. Fully committed to implementing GCG principles can be the basis for creating sustainable added value for the interests of shareholders, society at large, and various other stakeholders (employees, consumers, regulators, work partners, etc.) both in the short term as well as the long term.

In managing resources and business, GCG will also increase management responsibility to shareholders and stakeholders as well as accommodate various parties with an interest in the company such as creditors, suppliers, business associations, consumers, workers, the government, and the wider community. The implementation of GCG practices is the basis for the process and mechanism for managing business entities based on compliance with applicable laws and regulations that must be carried out by all business

actors in the world, including Indonesia. GCG can also be used to maintain the trust of shareholders and stakeholders. The scores of GCG assessment by PT APUS over the past 6 (six) years, are as follows:

Table 1. GCG assessment PT APUS

Year	GCG Assessment Score	Assessor
2014	84,63	Self Assessment
2015	85,14	Independent Assessment
2016	87,13	Self Assessment
2017	89,76	Independent Assessment
2018	91,56	Self Assessment
2019	89,89	Independent Assessment
2020	90,36	Self Assessment

4.2 Case of Fraud

PT APUS is one of the State-Owned Enterprises (SOEs) which is engaged in the service business sector. The issue in PT APUS' case resulted from the procurement of assets to be installed at some office branches of PT APUS between PT SUBS, a subsidiary of PT APUS, and PT INTAN as the contractor. PT INTAN is also a state-owned entity. The Finance Director (Mr. AYA) of PT APUS and the President Director (Mr. DM) of PT INTAN involved in this case used to work together in the previous company, so they know each other very well. During mid of 2018, Mr. DM asked Mr. AYA for his support as a referral for some project of PT APUS to PT INTAN. During the process, Mr. AYA abused his authority to influence the outcome of the procurement process of the project in PT SUBS to be given to PT INTAN even though the procurement team proposed to reject PT INTAN due to technical issues such as financial difficulty. He attended several meetings with the certain staffs who were involved in this procurement and influenced them to ensure the appointment of PT INTAN will be succeed. The process to appoint PT INTAN was through direct appointing instead of the bidding process normally conducted by the company.

Based on the Corruption Court's decision of the District Court, Mr. AYA has been found guilty of committing a crime of bribery by accepting bribery from Mr. DM in exchange for acting as a referral for PT APUS' project. This indicates a deviation from the principles of good corporate management practices that occur in PT APUS.

5. RESULT AND DISCUSSION

5.1 Evaluation of the Implementation of Corporate Governance Principles

Based on the decision of the Corruption Court at the High Court, the former Director of Finance of PT APUS has been found guilty of committing a crime in the form of accepting a sum of money or bribery from the Former President Director of PT INTAN in connection with the procurement of goods in 2019. This indicates a deviation from the principles of good corporate

management practices within PT APUS. Based on this, the following is an evaluation of the implementation of GCG principles based on regulation PER-01/MBU/2011 and KNKG at PT APUS.

- Transparency Principle

Based on the 2019 annual report of PT APUS, PT APUS has disclosed the cases faced by the Board of Directors as follows: "In 2019 there was a legal case involving the Board of Directors, which is the case of alleged corruption committed by the Suspect as Director of Finance of PT APUS, namely receiving gifts or money related to with the procurement of Baggage Handling System (BHS) work at PT SUBS which was carried out by PT INTAN in 2019". Based on this explanation, PT APUS has submitted information in a timely and accurate manner, but the information submitted is inadequate and does not provide more complete information for stakeholders to understand, so this case does not recur. This is not in accordance with the main guidelines for implementing the principle of transparency where PT APUS should provide adequate information as well as important events or other important information that can affect the condition of the company.

- Accountability Principle

This principle includes clarity of functions, implementation and accountability of organs so that the management of the company is carried out effectively. In order to achieve the principle of accountability, the implementation guidelines include: the company must believe that all company organs and all employees have the ability in accordance with their duties, responsibilities and roles in the implementation of GCG, the company must ensure that there is an effective internal control system in managing the company and in implementing duties and responsibilities, every organ of the company and all employees must adhere to the agreed business ethics and code of conduct. In this case of procurement of goods, Mr. AYA as the finance director of PT APUS at that time had abused his authority to intervene in the procurement process at PT SUBS to appoint PT INTAN as a contractor. Additionally, other interventions carried out by Mr. AYA also included when the director of PT SUBS proposed to Mr. AYA to cancel the cooperation with PT INTAN but was rejected by Mr. AYA. This proves that Mr. AYA as part of the company's organs (the Board of Directors), in carrying out his duties and responsibilities, does not adhere to the code of conduct and the ineffectiveness of the internal control system at PT APUS because it cannot detect any bribery cases that occur, therefore it can be concluded that there was a violation of the principle of accountability.

- Responsibility Principle

This principle emphasizes conformity in company management to laws and regulations and sound corporate principles, the main guidelines for implementing the principle of responsibility include company organs must adhere to the precautionary principle and ensure compliance with laws and regulations, articles of association and company regulations. In carrying out the

principle of corporate responsibility, it ensures that the company complies with all applicable laws and regulations, the articles of association and the company's own regulations.

Based on the discussion of the procurement case above, it is known that the procurement process is carried out by a direct appointment process, namely PT APUS directly appoints PT SUBS and then PT SUBS directly appoints PT INTAN. Based on the procurement guidelines, the procurement of goods does not meet the procurement requirements through a direct appointment process, because this semi-BHS project does not meet one of the requirements for direct appointment, which is not a specific procurement of goods/services based on justification from a technical unit that is only carried out by one provider. Additionally, the procurement of these goods cannot be replaced by other products, therefore it can be concluded that such actions violate the principle of responsibility.

- Independence Principle

In principle, independence is something that does not have a direct relationship to a particular activity or event. The company must have the principle of independence so that there is no conflict of interest from each company organ. The goal is that no one dominates in the management of the company which results in a conflict of interest. The guidelines for implementing this principle include that each company organ must avoid domination by any party, not be influenced by certain interests, free from conflicts of interest and from any influence or pressure, so that decisions can be made objectively and individually. Each section of the company must carry out its functions and duties in accordance with the articles of association and laws and regulations, not dominating each other and or shifting responsibilities to one another. Based on the decision of the Corruption Court, it can be seen that there is a conflict of interest involving Mr. AYA, who at that time served as the company's finance director since 2018 and has a good relationship with the president director of PT INTAN. Mr. AYA asked other officials to help PT INTAN get the job in the company. The two of them had been together in a SOE before. Mr. AYA also requested that the director of PT SUBS continue to appoint PT INTAN as the executor of the cooperation in the procurement of goods even though technically it does not have the financial capacity to fulfil the advance proposed by PT INTAN.

Based on this description, it can be concluded that there is a violation of the principle of independence due to a conflict of interest arising from the relationship between Mr. AYA as the Finance Director of PT APUS and the President Director of PT INTAN.

- Fairness Principle

In this case, it is known that PT SUBS was selected through direct appointment, this is contrary to the guidelines for the procurement of goods/services within PT APUS because it does not meet the requirements for procurement of goods by direct appointment, therefore, PT APUS does not provide equal opportunities to suppliers, because it selects suppliers through a direct appointment process and not through an open tender selection process, so it can be concluded that it violates the basic guidelines for fairness and equality principles.

5.2 Analysis of Corporate Governance Implementation Problems

From the results of the independent assessment (BPKP) for the company's GCG in 2019, the Board of Commissioners received a score of 92.93% and the Board of Directors received a score of 92.85. This shows that the practice of implementing GCG for the Board of Commissioners and the Board of Directors is in the 'very good' category. Based on the evaluation of the implementation of the principles of CG implementation above, it can be concluded that PT APUS has violated all the principles of GCG. The role of the board of commissioners is very important as a company organ to supervise the directors running the company.

Based on the evaluation of the implementation of corporate governance principles, in the case of the procurement of a semi-BHS project, PT APUS violated the guidelines for implementing the CG principles, and this could not be separated from the weakness of the company's internal control system as evidenced by the non-detection of violations of the procurement process through direct appointment of PT SUBS by internal audit, so it is not conveyed to the Audit Committee or to the Board of Commissioners.

The appointment and dismissal of the Directors of PT APUS is carried out by the Ministry of SOEs. Mr. AYA, who at that time served as Finance Director of PT APUS, acknowledged his bribery act, and the election of Mr. AYA as Director of Finance certainly raised questions, particularly on how he was elected and held a fairly important position in PT APUS.

Based on the Regulation of the Minister of State-Owned Enterprises: Per-01/MBU/2006 article 1, the fit and proper test system is a test in the context of selecting the best candidate to occupy the position as a candidate for the Board of Directors or member of the Board of Commissioners through certain tests and using clear benchmarks and systems. These tests must be standardized, transparent and professional. It can be concluded that the selection of Mr. AYA as Finance Director of PT APUS did not go through a good fit and proper test and did not fully pay attention to the track record and background of the candidates for the Board of Directors. Furthermore, based on his work experience, before serving at PT APUS, Mr. AYA had served as a director in another SOE and knew Mr. DM (the main director of PT INTAN) in that SOE. Based on news from Media Indonesia on August 2, 2019, Mr. AYA is a former finance director of another SOE for the period 2008-2015 related to the E-KTP case. In that case, the name of Mr. AYA appeared as the party suspected of receiving a flow of funds of Rp. 1 (one) billion.

As previously discussed, the whistle blowing system is one of the elements of the company's internal control, as part of the implementation of GCG, PT APUS also has a whistle blowing system. During 2019 PT APUS received 3 reports of alleged violations, the number of reporting violations through the WBS in PT APUS is still very minimal, all reports use the website as its media and the majority of reports that enter the WBS are not processed further because there is no evidence. It can be concluded that the WBS of PT APUS is still not effective or efficient as one of its internal control systems and part of the implementation of Good Corporate Governance in the company.

Lack of socialization and forum in WBS is one of the causes of the ineffectiveness of WBS at PT APUS, the internal audit division responsible for WBS must pay attention and have a special program for this WBS, considering that if WBS has been implemented properly, fraud will be more easily detected so that good GCG implementation will be created. Dissemination of the WBS is important so that every unit in the company knows and understands both the use and purpose of the establishment of this WBS, and the internal audit division must also ensure protection for whistleblowers so that employees do not feel afraid or burdened to report fraud, and this is in addition to the conclusions of the results and verification. The majority of cases are not processed because of absence of evidence, and it is not explained further whether there is indeed no valid evidence or there is no means to provide such evidence. There must be a correction for the internal audit division, whether they have facilitated the means for submission of evidence or further basic investigation can be carried out first.

6. CONCLUSION AND RECOMMENDATION

6.1 Conclusion

Based on the case, it can be concluded that the corruption case that occurred at PT APUS related to the semi-BHS procurement process in 2019 violated all the principles of Good Corporate Governance. The corruption case was caused by the abuse of authority by Mr. AYA, who was then Finance Director of PT APUS, wherein Mr. AYA intervened with officials involved in the procurement process to appoint PT INTAN as a contractor, even though PT INTAN did not meet the technical criteria. This can happen because of several things, specifically, poor internal control system, political intervention, and the whistle blowing system is not working effectively.

The internal audit division did not detect any violation of the PT APUS procurement process so that this corruption issue was not conveyed to the Audit Committee or to the Board of Commissioners so that the supervisory function of the Board of Commissioners did not function. In accordance with agency theory, the existence of a conflict of interest by the Director of Finance of PT APUS who ignored the interests of shareholders for personal interests allows the Director of Finance (himself) to intervene and direct PT INTAN to obtain a project at PT APUS. This cannot be separated from the lack of rules for the fit and proper test system in SOE which has caused the appointment of Mr. AYA as Director of Finance of PT APUS. This has not yet been carried out in accordance with the best practices of GCG

implementation. Based on the PT APUS WBS report, the number of reporting violations through WBS at PT APUS is still minimal and the majority of reports that enter the WBS are not processed further due to lack of evidence, this indicates the lack of socialization of WBS owned by PT APUS both socialization regarding the benefits, use and protection for whistleblowers. In this case, PT APUS officials were aware of irregularities in the procurement process but did not report through WBS.

6.2 Recommendation

Based on the results of the analysis and conclusions, suggestions that can be given to interested parties are as follows

- Improve the WBS, including:
 - Ensure the confidentiality of the reporter's identity including the reporting data and other information from the reporter and provide sanctions for anyone who violates the principle of confidentiality.
 - Provide protection for whistleblowers, both employees and non-employees.
 - Establish a special division that is responsible for managing the WBS.
 - Conducting socialization on WBS and adding a forum for receiving complaints, such as via email, SMS, or other social media.
- Board of Commissioners and Board of Directors Election System
This corruption problem occurs because of the lack of integrity of individuals within the company, therefore the system for selecting and appointing the Board of Commissioners and the Board of Directors must also be improved. The government may consider using the services of a neutral third party in selecting candidates for the Board of Commissioners and Board of Directors in SOEs, so in the selection of candidates for the Board of Commissioners and Directors, more objective assessment on background, correction networks, and track record can be carried out without any political intervention.

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