

# Internal Audit Obligations and Corporate Legal Liability for Corruption

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## ARTICLE INFO

### Article history:

Received 26 December 2023

Revised 8 January 2024

Accepted 6 February 2024

### Key words:

Internal audit,  
Legal compliance,  
Corporate accountability,  
Anti-corruption,  
Corporate governance,  
Internal control,  
Business law.

## ABSTRACT

*This study examines the relationship between the implementation of internal audits and corporate legal accountability for anti-corruption regulatory violations through a normative juridical approach. Internal audits are understood as a legal obligation of companies that serves to maintain compliance with laws and regulations and ensure the integrity of business activities. The study focuses on how internal audits form mechanisms for the prevention, detection, and assessment of corruption violations within corporate structures. The analysis was conducted through a review of corporate legal norms, governance principles, and anti-corruption provisions governing corporate accountability. The results of the study show that internal audits have a strategic position as a measure of corporate prudence. Consistent implementation of internal audits demonstrates preventive efforts and corporate legal awareness, which can influence the assessment of the level of corporate fault in the event of a violation. Conversely, weaknesses in internal auditing can be interpreted as structural negligence that aggravates legal liability. Internal auditing also functions as a detective mechanism that enables companies to identify irregularities before they cause wider losses. In addition, internal audits support accountability and information disclosure, which are the basis of stakeholder trust. Thus, internal audits are not merely an internal control tool, but a legal instrument that determines the legitimacy and accountability of a company. This study confirms that strengthening internal audits is an important prerequisite for creating corporate legal compliance and preventing systematic corruption in the business world.*

## INTRODUCTION

Modern companies operate in a business environment characterized by complex governance, compliance pressures, and public expectations of corporate integrity. The development of business activities involving relations with the state, the use of public funds, licensing, and the procurement of goods and services places companies in a position that is vulnerable to corrupt practices if not accompanied by adequate internal control systems. This vulnerability can be seen, for example, in cases of embezzlement in the corruption of government procurement of goods and services (Firdaus et al., 2022). In such conditions, corporate management can no longer be understood as merely an economic activity, but rather as a legal practice inherent in normative obligations. Organizational structure, decision-making processes, and internal control systems are part of the legal obligations that are

inseparable from the responsibilities of business entities as legal subjects. Internal auditing has emerged as an instrument designed to maintain order, accountability, and compliance with applicable laws and regulations (Vitomir et al., 2020).

In practice, internal audit is often narrowly understood as an administrative mechanism or management support function. This view obscures the position of internal audit as an internal legal tool that has direct implications for corporate responsibility. Internal audit works through a systematic assessment of company policies, procedures, and operational activities to ensure compliance with external legal norms and established internal policies. When internal audits are carried out formally, the potential for violations of anti-corruption regulations becomes more apparent. Weak internal oversight has the potential to give rise to practices of abuse of authority, conflicts

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of interest, and transaction manipulation that are contrary to the principles of good corporate governance (Yakovenko et al., 2022).

Anti-corruption regulations in Indonesia have developed in line with the state's increasing attention to corporate crime (Azizah et al., 2023). The Corruption Eradication Law, regulations on money laundering, and corporate and financial sector regulations show that the state considers companies to be important actors in preventing corruption. Within this framework, corporate obligations do not stop at refraining from unlawful acts, but extend to the active obligation to build effective internal control systems. Internal audits serve as a means to identify legal risks early on, assess compliance with regulations, and ensure that business activities are conducted in accordance with the principles of prudence and transparency. Thus, internal audits not only fulfil legal obligations but also serve as a critical component in optimizing overall corporate risk management to prevent financial losses and maintain stability (Irfan & Al Hakim, 2022).

As legal entities, companies have the ability to act through their internal organs (Helmi & Iskandar, 2019). The board of directors, commissioners, and internal audit unit perform different but interrelated legal functions. Internal audit is in a strategic position because it links normative policies with operational practices. When internal audit fails to function independently and professionally, this failure cannot be separated from the company's legal responsibility. This is important because the doctrine of corporate liability in criminal and administrative law recognizes that negligence in establishing a supervisory system can have legal consequences for business entities.

In certain business sectors, particularly those related to finance, energy, infrastructure, and public procurement, the obligation of internal audit has even gained stronger normative legitimacy (Azizah et al., 2023). Financial Services Authority regulations, Bank Indonesia provisions, and rules on corporate governance emphasize the importance of the internal audit function as part of the compliance system (Rohaeni et al., 2022). Internal audits are no longer optional but have become a structural component that determines whether a company has properly fulfilled its legal obligations. Thus, the discussion of internal audit cannot be separated from a legal analysis of corporate legal obligations.

Corporate legal awareness of internal audit still shows significant variation. Some companies have positioned internal audit as a strong control mechanism, while others still view it as an

administrative supplement. This difference reflects a disparity in understanding the legal consequences of internal oversight failures. From a business law perspective, this situation raises questions about the standards of obligations that companies should fulfil in establishing and implementing internal audits as part of their compliance with anti-corruption regulations.

The discussion of companies' legal obligations regarding internal audits is relevant because it touches on the relationship between legal norms, corporate governance, and the prevention of economic crime. Internal auditing does not stand alone as a managerial technique, but rather as a normative instrument that bridges the interests of the state, shareholders, and the community. Therefore, this study aims to examine internal auditing from the perspective of companies' legal obligations in complying with applicable anti-corruption regulations.

Companies often face ambiguity in interpreting the boundaries between legal obligations and internal policies related to internal auditing. Many regulations do not explicitly formulate technical standards for internal auditing, but place general compliance obligations on companies. This condition creates broad room for interpretation by management, which in practice can lead to minimalist internal audits. This ambiguity has the potential to weaken the preventive power of internal audits against corrupt practices, especially when companies face business pressures and short-term economic interests (Wells, 2011).

Another problem arises from the relationship between internal audits and corporate legal accountability. In various corruption cases involving business entities, internal audits are often used as a defense argument to demonstrate compliance efforts. However, not all internal audits are of adequate quality and independence. When internal audits are conducted formally, the question arises as to whether the existence of the internal audit unit can be considered as fulfilling legal obligations or whether it reflects structural negligence on the part of the company (Coffee, 2006).

The next issue relates to the position of internal audit within the corporate governance system. Internal audit is caught between the interests of management and the legal obligations of the company. The structural dependence of internal audit on management has the potential to undermine its independence and objectivity. This condition raises normative questions about the extent to which internal audit can function as a tool for compliance with anti-corruption regulations when internal power relations within the company do not support

effective oversight (Romney & Steinbart, 2015).

The study of corporate legal obligations regarding internal audit is important because developments in business law show an increased focus on corporate crime. The state no longer focuses law enforcement solely on individuals, but rather links it to the organizational system and governance of business entities. Internal audit is the meeting point between a company's internal policies and external legal expectations. A clear legal understanding of the position of internal audit is necessary so that companies do not get caught up in symbolic compliance that could potentially lead to legal risks in the future.

In addition, increased information disclosure and public scrutiny have placed companies under greater scrutiny. Failure of internal audits often leads to legal investigations and damage to reputation. By examining internal audits as a legal obligation, this study contributes to a more systematic understanding of how companies should develop compliance mechanisms that are in line with anti-corruption regulations and widely recognized governance principles.

This study aims to analyses companies' legal obligations in conducting internal audits as part of their compliance with anti-corruption regulations, as well as to explain the relationship between the implementation of internal audits and corporate legal accountability. Theoretically, this study enriches business law studies on the function of internal audits as a normative instrument. In practical terms, the results of this study are expected to provide companies with a clearer understanding of how to develop internal audit systems that are in line with applicable legal obligations.

## **RESEARCH METHOD**

This study uses a normative legal approach with a qualitative literature review design. This approach was chosen because the focus of the study is directed at analyzing legal norms, doctrines, and principles that govern corporate obligations regarding the implementation of internal audits in compliance with anti-corruption regulations. Primary legal materials include laws and regulations governing the eradication of corruption, corporate governance, and corporate internal control. Secondary legal materials consist of academic books and reputable scientific journal articles discussing internal audits, legal compliance, and corporate accountability. Qualitative literature studies are used to interpret the relationship between legal norms and internal audit practices through critical reading of relevant legal

texts and scientific literature, as recommended in normative legal research methodology.

The literature search strategy was conducted systematically through official academic databases such as university publishers, reputable international journals, and scientific library catalogues. Inclusion criteria included scientific works published in the last two decades, having a verifiable DOI or ISBN, and substantially discussing internal auditing, legal compliance, and corporate governance. Exclusion criteria were applied to sources that were popular in nature, did not undergo peer review, or did not have a clear publisher identity. The literature selection process was carried out by reading the abstract, introduction, and conclusion to ensure relevance to the research focus. This approach aimed to maintain the quality of legal arguments built from sources that were valid and academically accountable.

Data analysis was conducted through thematic synthesis by grouping legal ideas, internal audit concepts, and corporate accountability principles into interrelated analytical themes. Each theme was analyzed using legal interpretation techniques and deductive reasoning to draw normative conclusions. The coding process was carried out manually by marking key concepts that appeared consistently in regulations and literature. Research quality assurance was carried out through consistent use of sources, traceable references, and coherent legal arguments. With this method, the research is expected to produce a systematic analysis and provide a clear understanding of the legal obligations of companies regarding the implementation of internal audits.

## **RESULT AND DISCUSSION**

### **The Position of Internal Audit as a Legal Obligation of Companies in Complying with Anti-Corruption Regulations**

The legal framework for companies in Indonesia clearly places internal control as an internal part of responsible corporate governance. Law No. 40 of 2007 on Limited Liability Companies places internal audit as part of the control structure inherent in the legal obligations of companies. The provisions regarding the directors' duty to manage the company in good faith and with full responsibility have the normative consequence that every business activity must be systematically monitored. Internal audit serves to ensure that the directors' policies, asset management, and the company's legal relationships with third parties are in accordance with legal provisions. The directors bear the responsibility of transparency to ensure openness of information,

including ensuring that all data and information submitted to the public, shareholders, and third parties is true and accurate in accordance with applicable agreements. The principle of accountability is a manifestation of the board of directors' obligation to be accountable for the achievements and failures in implementing the company's vision and mission in order to achieve the objectives and targets that have been set (Yudanto et al., 2022). The transparency and accountability required by law cannot be fulfilled without an internal audit mechanism capable of assessing operational compliance on an ongoing basis (Abbas & Benaouda, 2022). Therefore, internal audit has gained the status of an implicit legal obligation that serves as a tool for the board of directors and commissioners to implement good corporate governance principles in order to maintain the transparency and sustainability of the company (Rojak & Al Hakim, 2023). With this construction, internal audit is not merely a managerial function, but a manifestation of the company's legal responsibility.

In an effort to prevent corrupt practices in the business and investment world through effective law enforcement (Saputra et al., 2021), the development of corporate criminal law has expanded the scope of liability to include failures in internal company controls. Law No. 31 of 1999 concerning Eradication of Corruption Crimes, as amended by Law No. 20 of 2001, explicitly opens up the scope of corporate criminal liability. This norm changes the criminal law paradigm from one that was originally oriented towards individuals to one that includes legal entities. Within this framework, internal auditing becomes a preventive legal instrument that serves to prevent corporations from engaging in unlawful acts. When the law states that corporations can be held liable for corruption offences committed for their benefit, internal auditing becomes structural evidence that the company has made efforts to control the risks of abuse of authority, bribery, and gratification. The absence of internal auditing or its inadequate implementation can be viewed as systemic negligence that strengthens the basis for corporate criminal liability (Marnani et al., 2023). Thus, internal auditing serves as an important indicator in assessing the existence or absence of corporate compliance.

Internal control also gains strong legitimacy through norms governing the management of public resources. Government Regulation No. 60 of 2008 concerning the Government Internal Control System provides a normative framework for comprehensive internal control for organizations that manage public

resources. Although this regulation is aimed at government agencies, its principles are widely adopted in corporate management, especially those that interact with state finances. Internal audit is a key element in the internal control system because it assesses the effectiveness of controls, compliance with regulations, and the reliability of reporting. In relation to anti-corruption regulations, internal auditing is a legal tool that ensures that the use of budgets, procurement, and business cooperation do not deviate from applicable provisions. Thus, internal auditing has a normative position as a protector of companies from criminal and administrative risks. This position shows that internal auditing serves as a first line of defense against legal violations.

Information disclosure is an important pillar in the supervision of public companies' activities. Law No. 8 of 1995 on Capital Markets emphasizes the obligation of information disclosure and honest reporting for public companies. This norm aims to protect investors from misleading information. Internal audits in public companies serve to ensure that financial reports and annual reports are prepared based on valid data and are free from manipulation. In corporate corruption practices, financial statement manipulation is often used to conceal illegal cash flows or fictitious transactions (Indarto, 2023). Therefore, internal audits serve as a legal safeguard that prevents capital market violations that intersect with criminal acts of corruption. Failure of internal audits to perform this function can have legal implications for the company. This role makes internal auditing a crucial element in maintaining the integrity of the capital market.

The banking sector demands stricter internal control standards due to high systemic risks. Financial Services Authority Regulation No. 55/POJK.03/2016 on the Implementation of Governance for Commercial Banks explicitly requires the existence of an independent internal audit function (Siahaan et al., 2023). This regulation places internal audit as a mandatory component in the bank's organizational structure to oversee compliance with all regulations, including anti-corruption provisions. The independence of internal audit is a normative requirement so that supervision is not influenced by management interests. Within the legal framework, failure to fulfil internal audit obligations as stipulated in this POJK can result in administrative sanctions and become an indicator of negligence if corruption occurs in bank operations. This shows that internal audit is the main foundation of sound banking governance.



State-owned enterprises occupy a strategic position because they manage public economic interests. Minister of State-Owned Enterprises Regulation Number PER-01/MBU/2011 concerning the Implementation of Good Corporate Governance in State-Owned Enterprises emphasizes the obligation of internal audit for state-owned enterprises. SOEs manage state assets and are therefore subject to stricter oversight standards (Tarjo et al., 2020). Internal audits are required to provide an objective assessment of the effectiveness of internal controls and compliance with anti-corruption policies. In this regulation, internal audits are a legal tool to ensure that the management of state assets is not misused. Weak internal audits in SOEs can be interpreted as a failure to fulfil legal obligations and have implications for corporate criminal liability. This position reinforces internal audits as an instrument for protecting the interests of the state.

State financial management requires a legally accountable oversight mechanism. Law No. 17 of 2003 on State Finances emphasizes the principles of accountability and transparency in public financial management. Companies involved in government projects or receiving state funds are required to ensure that the use of the budget is in accordance with its intended purpose (Marnani et al., 2023). Internal audit serves as a legal mechanism to oversee the use of these funds. When internal audit is not carried out, companies have the potential to be involved in budget misuse, which is classified as a criminal act of corruption. Thus, internal audit becomes a legal obligation inherent in companies dealing with state finances. Such internal oversight is a prerequisite for accountability in public fund management.

Cooperation between local governments and the private sector also requires an adequate monitoring system. Law No. 23 of 2014 on Regional Government regulates the cooperative relationship between local governments and third parties, including companies (Ihfan, 2023). In such cooperation, companies are required to comply with the principles of accountability and supervision. Internal audits serve to ensure that the implementation of contracts, procurement, and use of local funds are carried out in accordance with regulations. The absence of internal audits can pose serious legal risks in the event of irregularities that are detrimental to local finances. This situation emphasizes internal audits as a tool for mitigating local legal risks.

Efforts to prevent corruption in the private sector cannot be separated from the role of internal company mechanisms. The Corruption Eradication

Commission's regulations on guidelines for preventing corruption in the business world emphasize the importance of internal control and compliance systems. Internal audits are positioned as a legal means of ensuring the internalization of anti-corruption values in company activities. This regulation shows that the state demands an active role from companies in preventing corruption through structured internal mechanisms. This expectation extends corporate responsibility from formal compliance to substantive prevention.

Judicial practice also shapes the standards for assessing corporate criminal liability. Supreme Court Decision Number 811 K/Pid.Sus/2010 confirms that corporations can be held criminally liable. In court assessments, the existence of internal audits can be considered as evidence of prevention efforts. Thus, internal audits have strategic legal value in determining the level of corporate fault. This ruling shows that internal audits serve as an element of legal defense.

The regulations as a whole form a complementary legal landscape. Overall, these regulations indicate that internal audits have a position as a legal obligation derived from various legal norms. Internal audits serve as an instrument connecting normative obligations and company operational practices. Internal audit is a very useful and versatile tool for management, enabling an accurate assessment of the organization and the taking of measures to improve its efficiency and effectiveness (Samagaio & Felício, 2023). Without adequate internal audit, companies are vulnerable to legal liability for anti-corruption regulatory violations. Provisions regarding the obligation to conduct internal audits in various financial sector, capital market, and corporate regulations generally emphasize that corporate bodies can no longer treat internal audits as a voluntary managerial policy option. This framework positions internal audits as a structural obligation, not an organizational preference.

Internal audit is also understood as a means of improving the quality of corporate governance. Internal audit can help organizations achieve their goals through a systematic and disciplined approach to evaluating the effectiveness of risk management, control, and governance processes. Internal auditors are expected to detect and report corruption, negligence, or abuse of authority (Singh et al., 2021). The existence of an internal audit unit that operates in accordance with professional standards is a prerequisite for recognition that the company has implemented an internal control system that is

appropriate according to modern corporate standards. In this context, the quality of internal auditing, which is greatly influenced by the competence, independence, and workload of auditors, is a major determinant of its effectiveness as a preventive tool (Darmawan et al., 2016). Anti-corruption regulations and other derivative regulations related to compliance assume that internal audit findings are the initial basis for detecting, correcting, and reporting potential violations before they develop into legal cases. From this perspective, any negligence in establishing, implementing, or following up on internal audit results can be interpreted as a dereliction of legal obligations, which could strengthen suspicions of permissiveness towards corrupt practices. Internal audits that are carried out in a formalistic manner without adequate risk analysis, compliance testing, and transaction tracing will be difficult to use as evidence that the company has acted in good faith before law enforcement authorities.

Conversely, internal audits designed with a framework that is in line with statutory provisions enable companies to develop stronger legal arguments regarding the existence of early prevention and correction efforts for irregularities. These regulations ultimately form a new standard of expectation that companies must have a sustainable, documented, and re-auditable internal audit mechanism to assess the consistency of its implementation. Thus, internal audits serve as a normative bridge that converts written legal commands into a series of tangible oversight procedures whose success can be evaluated. A company's success in internalizing audit obligations into its organizational culture is an important factor in reducing the probability of corporate involvement in corruption cases. Through this type of regulatory construction, the law places internal auditing at the intersection of compliance regimes, internal control systems, and corporate criminal liability regimes. This entire description confirms internal auditing as the legal and operational foundation for the prevention of corporate corruption.

#### **The Relationship between Internal Audit Implementation and Corporate Legal Accountability for Anti-Corruption Regulation Violations**

The concept of corporate accountability is an important starting point in understanding the relationship between internal control mechanisms and legal consequences. Corporate legal accountability in the Indonesian legal system stems from the recognition that corporations are

legal entities that have the will and ability to act through their internal organs. Within this framework, internal auditing becomes an instrument that directly influences the assessment of corporate misconduct. When regulations require companies to act with prudence and compliance, internal auditing serves as a tool to ensure that these legal requirements are translated into concrete actions. Therefore, the relationship between internal auditing and legal accountability is structural. Internal auditing serves as an indicator of whether a company has fulfilled its internal oversight obligations or has neglected them. If internal auditing is not carried out properly, this failure can be classified as corporate negligence, which has legal consequences (Suhariyanto, 2018). This relationship confirms that the quality of internal auditing also determines the legal position of a corporation when faced with accountability mechanisms.

Special regulations on criminal acts of corruption expand the scope of legal subjects that can be held accountable. Law No. 31 of 1999 concerning Eradication of Criminal Acts of Corruption, as amended by Law No. 20 of 2001, opens up the possibility of criminal liability for corporations. This norm confirms that criminal acts of corruption can be committed by or on behalf of corporations. In this assessment, internal audits serve as a benchmark for whether the company has made efforts to prevent unlawful acts. Consistent implementation of internal audits demonstrates that the company has a control system in place to prevent abuse of authority. Conversely, the absence of internal audits or their formal implementation may reinforce the assumption that the corporation has allowed violations to occur, thereby making the company criminally liable (Sembiring & Pujiyono, 2020). In this context, internal audits serve as a parameter of the corporation's seriousness in preventing corruption.

The responsibility of managing a company cannot be separated from the supervisory mechanism inherent in the function of the board of directors. Law No. 40 of 2007 concerning Limited Liability Companies regulates the responsibility of the board of directors in managing the company in good faith and with full responsibility. Internal audit serves as a tool for the board of directors to ensure that these obligations are fulfilled. In the event of a criminal act of corruption involving the company's activities, internal audit becomes the basis for assessing whether the board of directors has carried out its supervisory duties adequately. Failure of internal audit can be interpreted as failure of the

board of directors to fulfil their legal responsibilities, which ultimately has an impact on the liability of the company as a legal entity (Sarjiyati, 2017). The existence of internal audit shows a direct link between the obligations of the board of directors and the legal risks of the company.

The control framework derived from public sector regulations also influences corporate oversight standards. Government Regulation No. 60 of 2008 concerning the Government Internal Control System provides a normative framework for oversight and control aimed at preventing irregularities. The principles in this regulation serve as a reference in assessing whether an organization, including companies that manage public funds, has an adequate control system. Internal audits are a key component of this system. If internal audits fail to detect budget irregularities that lead to criminal acts of corruption, such failures can form the basis for corporate legal liability as they are considered a failure to fulfil control obligations (Marnani et al., 2023). This shows that internal audits play a strategic role in maintaining corporate compliance in the management of public funds.

State financial management requires high standards of accountability from those involved. Law No. 17 of 2003 on State Finances emphasizes accountability in public financial management. Companies involved in government projects or receiving state funds have a legal obligation to ensure that these funds are used for their intended purpose. Internal audits serve as a mechanism to examine this compliance. If internal audits are not carried out and budget misuse occurs, companies can be held legally responsible for state losses resulting from criminal acts of corruption (Kusumawati et al., 2022). In this context, internal audits serve as a link between financial obligations and corporate criminal risk.

The capital market promotes the principle of transparency as the basis for investor protection. Law No. 8 of 1995 concerning the Capital Market regulates the obligations of transparency and honesty of information for public companies. Internal audits ensure that financial reports and material information are presented correctly. If there is manipulation of financial reports that leads to corrupt practices, internal audits become the basis for assessing whether the company has exercised proper supervision. Weaknesses in internal auditing in this case can strengthen the company's legal liability because it is considered negligent in maintaining the integrity of information (Azizah et al., 2023). The reliability of internal auditing is an important factor

in maintaining market confidence and legal compliance.

The banking sector has a high level of compliance risk and requires strict supervision. Financial Services Authority Regulation No. 55/POJK.03/2016 requires independent internal audit functions for commercial banks. This regulation positions internal audit as an internal accountability mechanism to regulators. In the event of anti-corruption regulation violations in bank operations, internal audit becomes an instrument used to determine whether the company has fulfilled its compliance obligations. Failure of internal audit to perform its independent function can result in administrative sanctions and aggravate the company's legal liability (Tarjo et al., 2020). The independence of internal audit demonstrates the bank's seriousness in maintaining operational integrity.

State-owned enterprises have special characteristics because they manage state assets. Minister of State-Owned Enterprises Regulation No. PER-01/MBU/2011 emphasizes the obligation of internal audits for state-owned enterprises in order to safeguard the management of state assets. Internal audits are a tool for assessing compliance with anti-corruption policies and internal controls. In cases of corruption involving SOEs, weak internal auditing can be considered a failure to fulfil the legal obligations inherent in the management of state assets, thereby increasing the corporate's legal liability (Taufik et al., 2023). Internal auditing serves as a legal protection mechanism for the management of public assets.

Cooperation between the public and private sectors requires certainty of oversight. Law No. 23 of 2014 on Regional Government regulates cooperation between local governments and third parties. In such cooperation, companies are required to ensure that activities are carried out in accordance with the principle of accountability. This principle is in line with the understanding that the effectiveness of instruments in contractual relationships is very important to prevent business disputes and ensure legal stability (Wibowo et al., 2021). Internal audits serve to ensure that contracts and the use of regional funds are carried out in accordance with regulations. In the event of irregularities, internal audits form the basis for assessing whether companies have failed to fulfil their legal obligations (Helmi & Iskandar, 2019). The existence of internal audits reduces the risk of legal disputes arising from irregularities in cooperation.

Corruption prevention efforts are also directed

at strengthening the company's internal systems. The Corruption Eradication Commission's regulations on corruption prevention in the business world place internal audits as a means of internalizing integrity values. In the framework of legal accountability, this regulation shows that the state requires companies to take an active role in prevention. Well-run internal audits demonstrate the company's seriousness in meeting these demands. Although corruption cannot be completely eliminated, if internal audits are able to function effectively, they can have a strong deterrent effect on the intended acts of corruption (Kuntadi & Aviana, 2022). In this context, internal audits reflect the ethical and legal commitment of the company.

Case law also strengthens the position of internal audit in corporate criminal liability. Supreme Court Decision Number 811 K/Pid.Sus/2010 confirms that corporations can be held criminally liable. In the court's assessment, the existence of internal audit is one of the factors in assessing corporate misconduct. An adequate internal audit can demonstrate the existence of preventive measures, while its absence can reinforce the conclusion that the company allowed corruption to occur (Rahmayanti & Pohan, 2022). This ruling demonstrates the evidentiary value of internal audits in court.

These regulations form a comprehensive framework for evaluating corporate behavior. Normatively, the relationship between internal audit and corporate legal liability is causal. Internal audit is the main tool for assessing a company's compliance, prudence, and good faith. Internal audits are used by companies to ensure that all company activities and operations are carried out effectively, efficiently, and in accordance with applicable laws and regulations (Hanifah et al., 2023). Thus, the implementation of internal audits determines whether a company can maintain its legal position or must bear criminal and administrative consequences for violating anti-corruption regulations. In this framework, the quality of internal audit planning, implementation, and reporting serves as an indicator of the credibility of internal control mechanisms in the eyes of law enforcement. The existence of clearly documented audit procedures provides a basis for proving that the company's organs have made efforts to prevent irregularities, thereby potentially mitigating or even eliminating certain responsibilities. Conversely, weaknesses in the internal audit structure, such as an overly narrow scope, compromised auditor independence, or ignored follow-up on

recommendations, can be interpreted as structural negligence that reinforces allegations of condoning corrupt practices. In many cases, consistent, verified, and risk-based internal audit reports serve as the initial reference for supervisory authorities to assess whether there are elements of intent and systematization of violations within the company. Internal audits designed in accordance with professional standards and applicable regulations help build the argument that the company has developed a reasonable control system, so that violations that arise are more appropriately classified as individual deviations, rather than practices legitimized by corporate policy. Thus, strengthening the internal audit function by improving auditor competence, refining methodologies, and ensuring structural independence has direct implications for a company's ability to mitigate the risk of legal sanctions. At this point, internal auditing transforms from a mere administrative compliance procedure into a strategic instrument of proof in the process of assessing corporate criminal liability. At this point, internal auditing occupies a strategic position as both an instrument of proof and prevention in the corporate criminal liability regime.

## CONCLUSION

Internal audit plays a central role in the corporate legal system as a supervisory mechanism that determines the level of corporate compliance with anti-corruption regulations. Its position is inseparable from the company's legal obligation to establish an internal control system capable of preventing, detecting, and following up on potential violations. Within the framework of legal accountability, the implementation of internal audits is a key indicator in assessing whether a company has acted with due care and good faith. Consistent and independent internal audits demonstrate that a company has fulfilled its normative obligations, while weaknesses in internal audits reinforce the assumption of structural negligence that can aggravate a corporation's legal liability for violations of anti-corruption regulations.

The implications of these findings indicate that internal audits should be understood as a legal obligation inherent to a company's status as a legal entity, especially for companies that interact with public finances and strict regulations. The implementation of structured internal audits provides legal protection for companies because it demonstrates the existence of a rational and measurable prevention system. Conversely, neglecting internal audits exposes companies to



greater risks of administrative and criminal sanctions. Therefore, internal audits support corporate accountability and serve as a compliance assessment tool that determines a company's legitimacy in the eyes of regulators and the public.

Companies are advised to treat internal audits as a core part of legal governance, rather than an administrative supplement. The position of internal audit needs to be strengthened by emphasizing its independence, clarifying its mandate, and ensuring consistency in its implementation. Regulators also need to ensure that internal audit obligations are understood as legal obligations with real consequences if ignored. With this approach, internal audit can function optimally as an instrument for preventing violations and as a basis for assessing corporate legal accountability.

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