

Directors' and Commissioners' Liability for Misleading Financial Statements

Endy Aryo Putro, Agung Satryo Wibowo, Didit Darmawan

Universitas Sunan Giri Surabaya, Indonesia

ARTICLE INFO

Article history:

Received 01 January 2025

Revised 07 January 2025

Accepted 12 January 2025

Key words:

Fiduciary duty,
Financial statement fraud,
Directors' liability,
Board of commissioners,
Corporate governance,
Criminal liability,
Electronic evidence.

ABSTRACT

Financial statement fraud threatens corporate accountability and investor confidence, particularly when misleading disclosures involve directors and commissioners. This study examines the fiduciary responsibilities of corporate organs and the boundaries of criminal liability for fraudulent financial reporting. Using normative legal research, the study applies statutory and conceptual approaches supported by corporate governance and accounting fraud literature. The findings indicate that fiduciary responsibility requires directors to exercise reasonable care and loyalty, while commissioners must undertake accountable supervision. Civil liability depends on legally attributable misconduct, losses, and relevant causal relationships. Criminal responsibility requires separate assessment of prohibited conduct, culpability, and evidence under applicable capital market legislation. Material accounting misstatements cannot automatically establish fraudulent intent or individual criminal guilt. Internal records, audit findings, and electronic evidence may assist legal assessment when their reliability is established. Clearer accountability standards are necessary to distinguish managerial negligence from deliberate deception and protect corporate stakeholders.

INTRODUCTION

Financial statements occupy an important position in corporate activities because they provide information on a company's financial condition, operating results, and ability to meet its obligations. This information is used by shareholders, creditors, prospective investors, and other parties with an interest in the company's activities. For public companies, financial statements also serve as one of the bases for investment decisions in the capital market (Bakkara et al., 2024). Trust in financial information depends on recording, examination, and presentation processes that are carried out responsibly. Legal problems arise when the information disclosed does not reflect the company's actual condition as a result of manipulative acts. Financial statement fraud may be committed through improper recording of revenue, concealment of liabilities, or misleading presentation of asset values. Such acts may cause losses to the company and to the parties who use its financial information.

Financial statement fraud needs to be distinguished from recording errors that occur without intent to mislead. This distinction is

important because not all inaccuracies in financial statements can be directly categorized as criminal offenses (Nasir et al., 2019). Dechow et al. (2011) explain that material misstatements in financial reporting can be identified through certain characteristics related to a company's condition and accounting information. These findings provide a conceptual basis for understanding that indications of misstatement require further examination before they are concluded to be fraud. In legal relationships, the assessment of misleading financial statements needs to consider the process of their preparation, the involvement of the responsible parties, and the consequences caused. Such an examination is necessary so that administrative errors, managerial negligence, and acts of deception can each be treated according to their own character.

The organizational structure of a limited liability company places the Board of Directors and the Board of Commissioners in positions with different functions. The Board of Directors manages the company, whereas the Board of Commissioners is tasked with supervising and advising on the conduct

* Corresponding author, email address: dr.diditdarmawan@gmail.com

of management (Johan, 2022). This division of functions relates to the principle of corporate governance, which requires oversight of decision-making and of the disclosure of financial information. Beasley (1996) found a relationship between board composition and the likelihood of financial statement fraud in the sample of companies examined. These findings indicate that the characteristics of corporate oversight may be related to the risk of misleading financial reporting. However, the empirical relationship between governance and fraud cannot be used to directly determine an individual's legal fault. The liability of Directors and Commissioners still requires an assessment based on their respective duties and involvement.

Law Number 40 of 2007 on Limited Liability Companies, as amended by Law Number 6 of 2023, provides the foundation for the legal relationship between a company and its organs. These provisions relate to the conduct of management, supervision, the preparation of corporate reports, and liability for losses arising from the performance of duties (Saka et al., 2023). In corporate law, this relationship can be explained through the concept of fiduciary duty. Fiduciary duty requires directors to carry out their responsibilities with reasonable care and to put the interests of the company first. Problems arise when the financial statements used as the basis for decision-making contain misleading information. This situation creates the need to assess whether the Board of Directors has performed its management duties and whether the Board of Commissioners has exercised proper supervision over the financial reporting process.

In addition to fiduciary liability, the presentation of misleading financial statements may be connected to criminal law, particularly when it occurs in corporate activities that fall within the scope of capital market regulation. Law Number 8 of 1995 on Capital Markets, as amended by Law Number 4 of 2023 on the Development and Strengthening of the Financial Sector, provides a legal framework for capital market activities and for the protection of information used by market participants. These provisions need to be understood together with corporate law because the financial statements of issuers form part of the information that the public uses in making investment decisions. However, fiduciary responsibility and criminal responsibility have different bases. Negligence in management or supervision does not necessarily satisfy the requirements of criminal liability, whereas involvement in the submission of deliberately

misleading financial information may give rise to broader legal consequences.

Evidence is a matter requiring attention in determining the liability of corporate organs. Determining legal liability requires adequate formal evidence and the legal awareness of the party whose name is used (Firmanto et al., 2024). Financial statement fraud may involve numerous transactions and accounting decisions carried out by different parts of the company. Recording errors may stem from mistaken professional judgment, weaknesses in the control system, or acts deliberately intended to alter the picture of the financial condition. Examining such circumstances requires evidence of the decision-making process and of the knowledge of the parties involved. Internal documents, audit reports, corporate correspondence, and electronic records can help explain the events in question. However, the existence of a material misstatement or the signature of directors on the financial statements is not sufficient to conclude deliberate criminal intent. Determining liability requires an examination of the relationship between the conduct, the duty, the form of culpability, and the relevant legal consequences.

The discussion of corporate governance and financial statement fraud has given attention to the role of the board, internal control, and the characteristics of companies that commit material misstatements. Beasley (1996) linked board composition to the risk of fraud, while Dechow et al. (2011) developed an explanation of the characteristics of companies that commit material accounting misstatements. This literature helps in understanding how fraud may arise, but it does not in itself explain the limits of fiduciary and criminal liability under Indonesian corporate and capital market law. The issue that requires clarification is how the duties of management and supervision can be connected to individual culpability, and how criminal evidence must be distinguished from evidence of a breach of fiduciary duty. This distinction is necessary so that managerial failure is not automatically criminalized, while manipulative acts that satisfy the requirements of criminal liability can still be held accountable.

This study examines how the fiduciary responsibility of the Board of Directors and the Board of Commissioners for financial statement fraud is constructed under corporate law, as well as the limits of the criminal liability of corporate organs and the position of evidence of intent in cases involving misleading financial statements. The two issues are related because determining fiduciary responsibility is necessary to understand the duties attached to

each organ, whereas criminal assessment requires an examination of the conduct and the form of culpability that satisfy the legal requirements. The discussion is directed at companies in the form of limited liability companies, particularly public companies that have information disclosure obligations in capital market activities. The study is conducted through an examination of statutory regulations and academic literature without the use of field data collection.

This study aims to explain the construction of the fiduciary duties attached to the Board of Directors and the Board of Commissioners in safeguarding the reliability of the company's financial statements. It also aims to analyze the difference between civil liability arising from a breach of the duty of management or supervision and criminal liability arising from the submission of deliberately misleading financial information. The discussion is directed at clarifying the relationship between the duty of care, loyalty to the company's interests, individual involvement, and evidence of intent.

RESEARCH METHOD

This study employs a normative legal research method of a doctrinal character, conducted through library research. The approaches used are the statutory approach and the conceptual approach. The statutory approach is carried out by examining the relationship between the regulation of the duties of management and supervision of the company, capital market information disclosure, and liability for conduct related to financial statement fraud. The conceptual approach is used to explain fiduciary duty, duty of care, duty of loyalty, the business judgment rule, and intent in criminal liability. Hutchinson and Duncan (2012) position doctrinal research as an activity that requires structured examination of legal rules and principles, while McConville and Chui (2017) explain the importance of aligning the choice of method with the issues examined in legal research.

The primary legal materials include Law Number 40 of 2007 on Limited Liability Companies, as amended by Law Number 6 of 2023; Law Number 8 of 1995 on Capital Markets, as amended by Law Number 4 of 2023; Law Number 8 of 1981 on Criminal Procedure Law; the Electronic Information and Transactions Law and its amendments; and Supreme Court Regulation Number 13 of 2016. The secondary legal materials were obtained through a search of journal articles and academic books on corporate governance, accounting fraud, and corporate liability. The literature was selected based

on its relevance to the issues, the clarity of publication details, and the consistency of research findings with the arguments developed. The materials were analyzed qualitatively through systematic interpretation and conceptual comparison to distinguish fiduciary responsibility from criminal liability. The accounting literature was used as supporting material for understanding the character of fraud, not as a substitute for the legal basis for determining culpability.

RESULT AND DISCUSSION

The Construction of Fiduciary Responsibility of the Board of Directors and the Board of Commissioners for Financial Statement Fraud

Fiduciary duty is part of the legal relationship between corporate organs and the company for which they are responsible. In conducting business activities, the Board of Directors and the Board of Commissioners obtain authority to perform certain functions according to their positions. This authority is related to the duty to act in the interests of the company and to perform duties responsibly. When a company's financial statements contain information that does not match its actual condition, the issue that arises is whether the irregularity is related to a failure to perform fiduciary duty (Siregar, 2022).

Conceptually, fiduciary duty can be explained through the duty of care and the duty of loyalty. The duty of care relates to the obligation to act with care and to use adequate judgment in performing duties. The duty of loyalty, meanwhile, relates to the obligation to put the company's interests first and to avoid acts that place personal interests above those of the company. Both duties are directly related to the preparation and supervision of financial statements. Financial statements are the result of recording and reporting processes involving various parts of the company. The information they contain can influence the decisions of the company, shareholders, creditors, and investors. If that information is presented in a misleading way, the parties with authority in its preparation need to be examined based on their respective duties and involvement (Indrawati et al., 2022).

Law Number 40 of 2007 on Limited Liability Companies, as amended by Law Number 6 of 2023, provides the legal basis for the performance of the functions of the company's organs. These provisions distinguish the responsibility for management carried out by the Board of Directors from the supervisory function performed by the Board of Commissioners. This distinction is important because the two organs do not have entirely the same

duties. A clear division of duties also allows the rights and obligations of each party to be enforced with certainty (Terubus et al., 2024).

The Board of Directors carries out the management of the company based on the authority granted by law and the company's articles of association. In performing this task, the Board of Directors is involved in financial decision-making, the handling of operational activities, and the provision of information on the company's condition. The reliability of financial statements forms part of the responsibility for management because these statements are used to explain the company's condition to parties with an interest in it. This information also serves as the basis for shareholders, including minority shareholders in public companies, to assess the management of the company (Rahayu et al., 2024).

The preparation of financial statements is generally carried out through the work of various organizational units, particularly the finance and accounting departments. Each unit holds a different part of the process, from recording transactions and compiling supporting documents to reviewing the figures before they are reported. The Board of Directors does not always record every transaction directly. However, the internal division of duties does not remove the need to ensure that the reporting process is carried out through mechanisms that can be held accountable (Himmati et al., 2023). For this reason, the responsibility of the Board of Directors lies in making sure that internal control, supervision, and review procedures work in practice, not in recording each transaction personally. When these mechanisms are weak, errors or irregularities in one unit may pass unnoticed and appear in the final financial statements.

In fulfilling the duty of care, the Board of Directors needs to consider whether the company has recording and supervision procedures appropriate to its business activities. The existence of an internal control system is related to the company's ability to prevent or detect inaccuracies in information. Such a system can help ensure that transactions are recorded based on supporting documents and that changes to financial information have a clear basis. For example, a company's revenue recognition needs to be based on the circumstances of the transaction and the relevant accounting provisions. If revenue is recorded without an adequate transactional basis, this may raise questions about the quality of internal control. However, the assessment of the responsibility of the Board of Directors cannot stop at the existence of a recording error. It is necessary to examine whether the Board of

Directors knew of the problem, has performed its duty of care, and was involved in the circumstances that caused the losses.

Well-organized institutional mechanisms help keep financial management orderly (Wiyandarini et al., 2021). Managerial governance also requires a clear division of duties and supervision that works in practice, not merely one that appears in the organizational structure (Putra et al., 2023; Rizaldi et al., 2024). Dechow et al. (2011) show that companies that commit material accounting misstatements may have certain characteristics related to their financial information and business activities. These findings show that examining fraud cannot be done by looking only at the final result of the report. The recording process, the financial condition, and supporting information are also relevant for explaining how misstatements arise.

In a fiduciary relationship, the results of an accounting examination serve as material for assessing the conduct of directors. Accounting findings may indicate weaknesses or irregularities, but they do not automatically establish that a director has violated the law. Determining responsibility still requires an examination of the duties attached to the position and the relationship between the acts and the losses that arose. In addition to the duty of care, the Board of Directors is bound by the duty of loyalty to the company's interests. The duty of loyalty becomes relevant when decisions related to financial statements are influenced by the personal interests of directors. A conflict of interest may arise when a director has a personal benefit tied to the results of financial reporting or the assessment of the company's performance. As an illustration, a director may have an interest in achieving profit targets linked to performance appraisal or compensation. If that interest drives acts to present information that does not match the actual condition, an issue arises regarding the director's loyalty to the company's interests (Belinda & Machmuddah, 2024). However, the existence of a financial incentive is not sufficient to declare that a violation has occurred. Evidence is required of the director's acts and of the relationship between the personal interest and the irregularity in question.

The duty of loyalty is also related to the prohibition on using one's position in the company for interests that conflict with the company's interests. Deliberately manipulated financial statements may be used to maintain a picture of corporate success even though the financial condition does not support it. In such circumstances, the acts of directors need to be assessed based on the duty to safeguard the integrity of information and the trust placed in them.

The Board of Commissioners holds a different position from the Board of Directors because its main function relates to supervision of the conduct of management. This function is part of corporate governance, which aims to ensure that the company's activities are carried out with regard to the company's interests. In financial reporting matters, the supervision of the Board of Commissioners relates to the assessment of management policies and the follow-up on information about the company's condition. The duty of supervision does not mean that every member of the Board of Commissioners must examine all accounting transactions directly. The supervisory function needs to be performed according to position, authority, and the information available. However, supervision also cannot be carried out merely as a formality when there are circumstances that reasonably require attention (Kusumawardani et al., 2023).

Beasley (1996) found that companies in the research sample that did not experience financial statement fraud had a higher proportion of outside board members than companies that did. This result supports the understanding that the character of supervision may be related to the risk of fraud. Nevertheless, the study came from a corporate system with a different governance structure, so it cannot be directly used to determine the standard of legal responsibility of commissioners in Indonesia. How clearly responsibility is structured also affects how far liability can be imposed on each party (Akbar et al., 2024).

In the structure of Indonesian limited liability companies, the Board of Commissioners supervises the Board of Directors and provides advice according to its authority. The performance of supervision may be supported by management reports, audit findings, and information delivered through the company's internal mechanisms. The quality of this information depends on how managers use accounting information in their decisions (Gardi & Darmawan, 2022) and on the capability of the people who run these mechanisms (Abdulah et al., 2021). If there are relevant indications of irregularity, the Board of Commissioners needs to assess the situation according to its supervisory duties.

Indications of irregularity in financial statements may arise from differences in information between periods, transactions without adequate supporting documents, or audit findings that have not been followed up. Poorly documented transactions increase the risk of errors and disputes (Oriento et al., 2023), and reporting obligations require companies to

keep their financial information transparent (Parji et al., 2024). The existence of such indications does not necessarily prove fraud. However, this information may give the supervisory organ a reason to request an explanation or take supervisory measures according to its authority. Ethical principles in financial management also require that this information be handled with care (Putra & Arifin, 2023).

In a fiduciary relationship, negligence in supervision needs to be distinguished from the inability to detect an act deliberately concealed by another party. A commissioner may be unaware of an irregularity because the information available has been deliberately engineered. Such circumstances need to be examined before determining whether there has been a failure to perform the duty of supervision. Conversely, if information is available that clearly indicates a risk of material misstatement and the supervisory organ does not take appropriate action, this circumstance may be relevant to liability. The assessment cannot be made solely on the basis of the final result of financial statements that turn out to be incorrect. It is necessary to know what information was available, what authority was held, and what actions were taken by the party concerned (Ramdani, 2024).

Fiduciary liability is also related to the business judgment rule. This principle provides a conceptual basis for distinguishing business decisions that turn out to cause losses from acts of directors that were not carried out responsibly. Business risks that are managed properly are entitled to protection, whereas losses resulting from negligence or violations of regulations give rise to personal and collective liability (Nugroho et al., 2024). Business decision-making inherently involves risk, so a company's losses do not always indicate that directors have committed legal culpability. In its application, the assessment of directors' decisions needs to consider good faith, the adequacy of information, and the company's interests. Decisions based on reasonable business judgment may produce unexpected outcomes without indicating any fraudulent acts. Conversely, acts that deliberately alter financial information so that others obtain a misleading picture differ in character from business decisions that involve risk.

The business judgment rule cannot be used as a general excuse to justify the falsification of accounting information. Financial statement fraud concerns the integrity of information, whereas the protection of business decisions relates to the authority of directors to take risks responsibly. Business decisions can only be assessed fairly when the information behind them is accurate (Ali & Darmawan, 2023), and even major corporate

decisions remain bound by legal limits (Darmawan et al., 2025). This distinction is needed so that the protection of business discretion is not used to obscure actions that contradict fiduciary duty.

The position of the auditor's examination also needs attention in assessing the responsibility of directors. An external audit can provide a professional assessment of financial statements based on the scope of the examination and the standards used. The result of an examination depends on clear procedures and on how consistently they are applied (Sudja'i et al., 2023). However, the use of an auditor does not transfer all responsibility for management and supervision to the examining party.

If financial statements have undergone external examination but a misstatement is later found, the source of the inaccuracy and the information available during the examination need to be traced. The misstatement may be related to recording errors, weaknesses in internal control, limited evidence, or manipulative acts that were deliberately concealed. Deliberate concealment is hard to detect and harms the parties who rely on the information (Ali et al., 2024). Each possibility has consequences that need to be assessed based on the facts.

The relationship between directors and the auditor also has significance in examining fiduciary duty. The information provided to the auditor, the responses to audit findings, and the follow-up on recommendations may give a picture of the directors' attitude toward the reliability of reporting. Open communication between the two parties helps build a working relationship in which problems are raised early (Gardi et al., 2021). However, the existence of certain audit records does not in itself prove the individual culpability of directors or commissioners.

Civil liability arising from a breach of fiduciary duty is related to the company's losses. These losses may arise when the actions of directors cause the company to bear obligations or lose economic benefits for which they can be legally held accountable. Actions that affect a company's capital and assets must be accounted for properly because they directly shape the losses the company bears (Almubarak et al., 2024). Determining responsibility requires an explanation of the breach of duty, the form of culpability, the losses, and the causal relationship.

The company's losses need to be distinguished from the losses directly suffered by investors as a result of changes in share prices. A decline in share value after misleading financial information is revealed may affect shareholders, but the basis for an investor's claim is not necessarily the same as the company's claim against its directors. The legal

relationship and the party entitled to bring a claim must be examined according to the character of the loss. On this issue, the Limited Liability Company Law provides a foundation for the liability of directors to the company. However, such liability must not be determined solely on the basis of a person's position as a member of the Board of Directors or the Board of Commissioners. The legal duties, involvement, and form of culpability of each individual remain important.

Distinguishing responsibility among organs is also necessary to prevent the imposition of collective fault without a basis. The Board of Directors has the function of management, whereas the Board of Commissioners performs supervision. If fraud is found, it needs to be examined whether the irregularity is related to unlawful acts of management, a failure of supervision, or the involvement of several parties in a series of related activities. This distinction is necessary to avoid decisions influenced by perceptions of cost, legal certainty, and control over operational activities and information (Fathoni et al., 2024).

The involvement of several corporate organs does not mean that all parties have an identical degree of culpability. A director may be the one who directs the manipulation, while another party merely receives a report that has been altered without knowing of the irregularity. The examination must distinguish these situations based on the duties and the information available at the time the acts were committed. Responsibility is assessed according to each person's role, not merely according to position (Saputra et al., 2024), and creditors and minority shareholders who are harmed depend on this fair assessment (Ratnawati et al., 2024).

Internal control is related to efforts to prevent financial statement fraud. Clear recording systems, separation of authority, transaction documentation, and periodic examination can help reduce the risk of irregularities. Clear rules and documentation also help limit irregularities in financial activities (Yuristiawan et al., 2024), and risk mitigation works best when controls are in place before problems arise (Sahid et al., 2023). Internal audit also functions as a detection mechanism that allows the company to identify irregularities before they cause greater losses (Fajarudin et al., 2024). However, internal control cannot guarantee that all fraudulent acts can be prevented.

The existence of a control system needs to be seen together with its implementation. A company may have adequate written procedures, but those procedures are not carried out consistently. Procedures are followed more consistently when

employees can understand and apply them in daily work (Putra et al., 2022), and when those who handle financial records have sufficient financial awareness (Issalillah, 2024). In such circumstances, the examination of the directors' responsibility needs to consider the supervision and corrective actions that fall within their authority. Weak internal supervision systems are a major factor that facilitates financial statement fraud (Firdaus et al., 2022). Such weaknesses also leave investors exposed to misleading information (Santoso et al., 2025).

The fiduciary responsibility of the Board of Directors and the Board of Commissioners for financial statement fraud is constructed through the duty of care, loyalty to the company's interests, and the performance of functions according to their respective positions. The Board of Directors is responsible for the management of the company, whereas the Board of Commissioners supervises the policies and the conduct of management. Liability for a breach of these duties requires an examination of the acts, culpability, losses, and relevant causal relationship. The existence of misstated financial statements does not automatically prove a breach of fiduciary duty by all directors. Determining responsibility must take into account the function, authority, and involvement of each party so that legal certainty and the protection of the company's interests can be maintained.

Limits of Criminal Liability and Evidence of Intent in Financial Statement Fraud

Criminal liability of the Board of Directors and the Board of Commissioners in financial statement fraud cases has a different character from fiduciary responsibility relating to the management and supervision of the company. In criminal liability, the determination of culpability must be based on conduct that satisfies the criminal provisions and the applicable requirements for punishment. A failure to perform the duties of management or supervision does not in itself give rise to criminal responsibility. This difference is important because errors in financial reporting can arise from various circumstances that are not necessarily deliberate deception (Ridho & Mujib, 2024).

In corporate law, a breach of fiduciary duty may relate to acts or omissions that cause losses. The assessment of such responsibility focuses on the relationship between the duties of directors and the consequences suffered by the company. This assessment should look at the actual position and role of each party (Evendi et al., 2025). In criminal law, by contrast, the examination is directed at the prohibited conduct and the form of culpability

required under the provisions applied.

Financial statement fraud may give rise to criminal issues if it involves acts that satisfy the formulation of a criminal offense. In the activities of public companies, the presentation of financial information is related to capital market regulation because these reports serve as material for investors' decisions. Law Number 8 of 1995 on Capital Markets, as amended by Law Number 4 of 2023, provides a legal framework for securities trading, information disclosure, and the prohibition of misleading acts related to the capital market. Clear legal rules help companies understand the limits of what is required of them (Aryanto et al., 2024), while unclear rules make it harder for managers to know the limits of lawful reporting (Mardikaningsih & Darmawan, 2021).

Applying capital market provisions to financial statement fraud requires an examination of the relationship between the information submitted and the activities regulated under capital market law. The financial statements of public companies may contain information that is important for investment decisions (Devianty et al., 2021). Reliable information also supports a company's ability to stay competitive over time (Mardikaningsih et al., 2024). However, the existence of a misstatement in a report is not sufficient to conclude that all the requirements of a criminal offense have been met.

Determining criminal responsibility requires an examination of the act of submitting information, the parties involved, the state of the information, and the relevant form of culpability. Misleading information may be prepared by certain parties, reviewed by another part of the company, and then submitted through the company's publication mechanisms. In this chain, not every individual has the same role or knowledge. For example, a financial statement may contain revenue recording that does not reflect the actual circumstances of the transaction. The examination needs to explain how the recording was made, whether there are unlawful supporting documents, and who was connected to the decision to record it. This is in line with the explanation of Rusianto et al. (2023) that proving criminal liability requires tracing the relationship between the acts committed and the criminal offense in question. If the statement is subsequently published, it is necessary to know the parties who held authority and were involved in the process of submitting the information (Chandra & Muchan, 2024). Such an examination is needed to distinguish recording errors from acts deliberately intended to give a misleading picture. Accounting decisions may involve complex professional judgment, especially when a company has transactions of a special character. A difference of opinion on accounting

treatment is not automatically a criminal offense.

Dechow et al. (2011) developed research on the characteristics of material accounting misstatements and showed the usefulness of various indicators in identifying companies at risk of reporting problems. These findings are relevant to the examination of financial information because irregularities can be traced through the character of transactions and accounting data. Nevertheless, statistical indicators or unusual financial patterns only provide a basis for further examination. Determining criminal culpability still requires proof according to the law.

In financial statement fraud cases, the element of intent is often discussed through the concept of scienter. Conceptually, this term relates to a person's knowledge or state of mind regarding the acts they commit. However, its use in Indonesian criminal law must be adjusted to the formulation of culpability in the applicable criminal provisions. It is not appropriate to equate all forms of negligence directly with intent merely because they cause large losses. The difference between intent and negligence is an issue that requires attention in corporate activities. A director may make a decision based on the information available, but it is later found that the information was incomplete (Alfero & Rahayu, 2024). Such circumstances require an assessment of the duty of care and the decision-making process. If there are acts that deliberately alter data or conceal information, the assessment may differ because it relates to active involvement in the irregularity.

Evidence of intent cannot be based solely on the position of directors as parties holding authority in the company. The position of director or commissioner carries certain functions and responsibilities, but it does not automatically indicate knowledge of all transactions carried out by the company. The examination must be directed at the acts and information connected to the individual in question. For example, a director may receive financial statements from the accounting department to be reviewed before they are submitted to the competent authority. If a misstatement is later found, it needs to be traced whether earlier information indicated an irregularity. Documentation of the review process, internal communications, and the actions taken after receiving the information can help explain the circumstances. However, the existence of a signature or approval on the financial statements must not be made the sole basis for concluding that there was criminal intent. A signature may be relevant to show authority and formal involvement, but the state of mind and knowledge of the party concerned still require assessment based on the

totality of the evidence.

The same applies to the Board of Commissioners. The supervisory function can provide a basis for examining the actions taken regarding information on the financial statements. If there are findings indicating a risk of misleading reporting, it needs to be examined whether the information was received and how the commissioner responded. However, a failure of supervision does not in itself satisfy the element of intent in a criminal offense. This distinction is necessary so that fiduciary responsibility is not treated as a substitute for criminal proof. The duty of supervision may form part of the legal circumstances that explain a person's position, but criminal culpability must be proven according to the requirements of the offense concerned. If a provision requires intent, proof cannot be replaced merely by showing administrative negligence.

Criminal procedure law provides the basis for proof in the examination of criminal offenses. Law Number 8 of 1981 on Criminal Procedure Law is the procedural foundation for the examination of criminal cases. It sets the rules on what may be presented as evidence and how that evidence must be assessed, so that a person is not held liable on the basis of assumption alone. In cases related to financial statements, evidence may include witness testimony, documents, expert testimony, and other materials that have legal standing under the rules of evidence (Sinaga et al., 2019). Each type of evidence has a different role: witness testimony describes what was seen or done, documents record the transactions, and expert testimony explains the technical accounting aspects. Evidence that does not meet these requirements cannot be used to establish culpability, however significant the misstatement it points to.

The examination of evidence needs to be carried out thoroughly because accounting fraud may involve a series of transactions over a long period. Bookkeeping documents can provide information on financial recording, while internal communications can help explain the decision-making process. Expert testimony is needed to explain technical aspects that cannot always be understood without accounting knowledge. One relevant form of evidence is documents on revenue recognition, the recording of liabilities, and transactions that have a material effect on the financial statements. These documents can be used to compare the circumstances of the transactions with the information presented. However, any discrepancy needs to be examined to determine whether it stems from an ordinary error or from manipulative acts.

Expert testimony from a forensic accountant serves to help explain the character of the irregularities found. The examination may be

directed at transaction patterns, the authenticity of supporting documents, changes in recording, and the relationships among the figures presented. The expert can explain whether an accounting pattern is unusual in character or contradicts the relevant reporting standards. However, an expert's opinion on the existence of a misstatement does not automatically determine the criminal culpability of directors. Determining liability requires a connection between technical facts and the applicable legal provisions. An accounting expert can help explain financial events, whereas the conclusion on whether the elements of a criminal offense have been satisfied must be determined through legal process.

In the activities of modern companies, evidence may also involve electronic information. Computer-based accounting systems can store the history of transactions, changes to data, user identities, and the time at which certain activities were carried out. Because these records are created automatically as transactions are processed, they often show details that paper documents do not. This information can help explain the process of preparing financial statements and the possible involvement of certain parties (Kaluuya, 2022).

Law Number 11 of 2008 on Electronic Information and Transactions, as amended by Law Number 19 of 2016 and Law Number 1 of 2024, is relevant to the use of electronic information and documents in legal relationships. These provisions recognize that information in electronic form may be used in legal matters, provided it can be shown to be reliable. In financial statement fraud cases, these provisions relate to the need to assess electronic information used as evidence.

Accounting system records can show when certain data were entered or changed. If manipulation is suspected, this information can help explain the sequence of acts. A pattern of changes made shortly before a report was finalized, for example, may call for a closer look at how the report was prepared. However, account usage records are not always sufficient to establish the identity of the person who performed an act. The examination needs to consider the possibility of shared access, user authority, and system security. Without this caution, a record tied to an account could be wrongly treated as proof of what a particular person did.

The authenticity and integrity of electronic information are important so that the data used do not lead to mistaken conclusions. Documents that have been changed without accountable records may raise questions about their reliability. An

examination of the source of the data and how it was obtained is necessary so that electronic information has a clear connection to the legal event. In addition to electronic data, corporate communications can serve as supporting material in explaining the knowledge and involvement of directors. Correspondence on changes to financial statements, meeting minutes, or responses to audit findings can show the information available at a particular time. However, a single communication needs to be understood in relation to other documents and acts so that its meaning is not interpreted in isolation.

Evidentiary problems also arise when the acts that give rise to fraud are carried out through several parts of the organization. The finance department may prepare the records, the operations department may provide transaction documents, and the Board of Directors may approve the statements. If there is an irregularity, determining the responsible party requires tracing the relationships among these parts (Bondar, 2024). In such circumstances, the examination needs to distinguish the perpetrator who directly made the incorrect records, the party who ordered the irregularity, and the party who had no knowledge of the acts. According to Sutanto et al. (2023), liability needs to be differentiated based on control, knowledge, and causal contribution. The division of roles is important so that liability is not imposed on all organs of the company without an appropriate basis.

A corporation as a business entity may also be connected to acts carried out through its organizational activities. However, corporate criminal liability needs to be distinguished from individual criminal liability. Supreme Court Regulation Number 13 of 2016 on Procedures for Handling Criminal Cases by Corporations provides a procedural framework for handling cases in which a corporation is the legal subject. This regulation is relevant when an act of fraud is connected to organizational activities and there is a legal basis to examine the corporation as the perpetrator of a criminal offense. However, the existence of an economic benefit to the company does not in itself prove that every director had criminal intent. Determining individual liability still requires an examination of the acts and the state of culpability of each person.

The relationship between corporate liability and the corporate organs needs to be explained to avoid mixing legal subjects. The Board of Directors and the Board of Commissioners are organs with certain functions in the company. Their acts may be attributed to the company, but this does not make the organs and the company the same legal subject. The company, meanwhile, as a legal entity, has a separate standing.

For this reason, a finding against the company does not by itself establish the culpability of an individual director or commissioner, and the reverse is also true. In a single fraud event, the possibility that more than one party may be held liable must be assessed according to the legal basis for each.

The application of the business judgment rule is also related to the assessment of the acts of directors in financial statement cases. This rule gives room for directors to make decisions that carry risk without being blamed only because the outcome was poor. Business decisions taken on the basis of reasonable judgment need to be distinguished from the act of presenting deliberately misleading information. Taking business risks is not automatically a fraudulent act, but falsification of information cannot be treated as a protected business decision merely because it was carried out in the company's interests. The protection of business discretion therefore applies to the quality of the decision-making process, not to the accuracy of financial information that has been altered.

This distinction becomes even more relevant when an accounting policy produces information that is later questioned. Directors may have a professional basis for choosing a certain accounting treatment. If the decision was taken reasonably based on the information available, the assessment differs from that of acts that deliberately alter or conceal transactions to mislead other parties. The assessment of culpability needs to consider whether there are documents supporting the decision and how the directors explain their judgment. The existence of adequate documentation can help in understanding the decision-making process. However, formal documentation also needs to be examined for authenticity if there is a suspicion that the records were made to cover up an irregularity.

Criminal liability has a different purpose from a civil claim for breach of fiduciary duty. A civil claim relates to the interest in recovering the losses of the company or of parties with a basis for a claim. Punishment, meanwhile, is directed at enforcing criminal provisions against acts declared unlawful that satisfy the requirements of liability (Anugerah & Israhadi, 2022). Through these two instruments of law enforcement, justice is expected to be secured for all parties (Noor et al., 2023). This difference in purpose allows a single series of events to give rise to more than one type of legal issue. Financial statement fraud may cause losses to the company and at the same time give rise to an alleged criminal offense if there are acts that satisfy the formulation of the criminal provisions. However, the resolution of each issue must still follow the relevant legal requirements.

The determination of corporate legal liability requires attention to the principles of causality and evidence to explain the relationship between the acts in question and the legal consequences they give rise to (Sopyan et al., 2024). A civil claim requires an examination of the relationship between the breach of duty and the losses suffered. In criminal proceedings, meanwhile, the examination is directed at proving the acts and culpability that form the basis for punishment. This difference must be maintained so that a decision on civil liability is not automatically taken as a conclusion on criminal culpability.

Investor protection holds an important position in this issue because the financial statements of issuers are used as material for assessing the company's condition. According to Faridi et al. (2023), information transparency is an important aspect of protecting investors. Misleading information may influence decisions to buy or sell securities. For this reason, the quality and clarity of the information disclosed remain central to protecting investors. However, investors' losses resulting from changes in share prices need to be distinguished from the proof of a criminal offense related to the submission of that information.

A decline in share price after financial statements are corrected does not in itself prove that all members of the Board of Directors or the Board of Commissioners committed a criminal offense. A decline in share price may have many causes, so it cannot be used alone to measure the effect of misleading information or to identify who is responsible. The examination still requires a connection between the acts, the information submitted, and the requirements of culpability set by law. Such an assessment is necessary so that the interest in protecting investors can proceed together with the principle of criminal liability.

In the conduct of corporate governance, the prevention of financial statement fraud can be pursued through internal control, responsible supervision, and information disclosure. These measures work together, because information disclosure is only reliable when the records behind it are controlled and checked. However, these duties need to be distinguished from the criminal consequences that arise when an act satisfies the formulation of a criminal offense. Weaknesses in governance may increase the risk of fraud, but they do not always prove criminal intent (Yulianti et al., 2024). A weak system shows that opportunity existed, but it does not show that a particular person used that opportunity deliberately.

Beasley (1996) and Dechow et al. (2011) provide

a scientific basis for understanding the relationship between governance characteristics, accounting information, and the risk of misstatement. This literature can be used as conceptual material in determining which aspects should be examined. Such literature shows where an examination should begin, but it does not replace the legal assessment of each person's acts and culpability. Its findings describe patterns across many companies, whereas a legal case concerns the specific facts of one company and the people involved. However, the application of the law to directors, commissioners, or the company must still be based on the applicable legal provisions and valid evidence.

The criminal liability of corporate organs for financial statement fraud must be clearly distinguished from fiduciary responsibility. Fiduciary responsibility relates to the performance of the duties of management and supervision, whereas criminal liability requires acts and culpability that satisfy the requirements of criminal law. Evidence of intent must be based on the relationship between an individual's acts, the information known to them, and the relevant evidence. A material misstatement, a failure of supervision, or a formal position in the company is not sufficient to automatically establish criminal culpability. The proper application of both forms of liability is necessary so that the law can protect the reliability of financial reporting without disregarding legal certainty for corporate organs.

CONCLUSION

The fiduciary responsibility of the Board of Directors and the Board of Commissioners for financial statement fraud is based on the duty of care, loyalty, and the performance of the functions of management and supervision in accordance with corporate law. The Board of Directors is responsible for the conduct of management, whereas the Board of Commissioners supervises the policies and activities of management. A breach of fiduciary duty requires an examination of the culpability, losses, and relevant causal relationship. Criminal liability has a different basis because it requires proof of the acts and the form of culpability required by the criminal provisions. The existence of a material misstatement in financial statements does not automatically prove the intent of corporate organs. Criminal proof must consider individual involvement, the information known, and valid evidence. Distinguishing these two forms of responsibility is necessary to maintain legal certainty and to protect the interests of both the company and investors.

Fiduciary duty needs to be distinguished from

criminal culpability because each has a different basis of liability and a different legal purpose. The results of the discussion show that accounting findings can support legal examination without replacing proof of individual culpability. Companies need to pay attention to the implementation of internal control, the documentation of decisions, and the supervision of financial information. For law enforcement officials, distinguishing fiduciary responsibility from criminal responsibility can help prevent equating weaknesses in governance, the negligence of directors, and manipulative acts that satisfy the requirements of criminal law.

The Board of Directors needs to conduct the management of the company with attention to the reliability of the recording and preparation of financial statements. The Board of Commissioners needs to perform supervision responsibly and pay attention to information indicating the possibility of material irregularities. Companies also need to strengthen internal control, transaction documentation, and mechanisms for following up on audit findings so that financial statements can be held accountable. In handling cases, law enforcement officials need to distinguish accounting errors, breaches of fiduciary duty, and acts that satisfy the elements of a criminal offense. The examination of intent must use evidence that has a clear connection to the knowledge and acts of the party concerned. Future research may be directed at examining officially identified court decisions on the liability of the Board of Directors and the Board of Commissioners in cases involving misleading financial statements, particularly to explain the application of the standard of culpability and the relationship between accounting evidence and legal reasoning.

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