

Legal Audit as an Effort to Improve Good Corporate Governance Based on Prudential Principles

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Abstract

Legal Audit or legal due diligence is a careful examination activity in terms of law which is conducted by legal consultants on a company in accordance with the purpose of the transaction. The purpose of this study is to analyze legal audits conducted in companies as an effort to improve good

corporate governance with the principle of prudence. This study uses normative research methods, where the author examines and studies the norms governing legal audits in companies in accordance with applicable laws and regulations. Legal audit aims to assess the level of company security, especially in terms of risk aspects that can endanger assets owned by the company and to obtain information or material facts that can describe the condition of a company or object of transaction. Legal audit will be conducted very necessary, for example in the state that the company will mergers, acquisitions, consolidations, credit with third parties, to the sale of the company. Even for Initial Public Offering activities, each issuer is required to appoint an advocate in conducting an examination in terms of company law. In this audit/audit process, documents are required such as the deed of incorporation, documents related to company assets, board of directors meetings, and commissioners meetings, agreements made and signed by the company with other parties, documents related to licensing, taxes, labor affairs, company insurance, including documents related to the relationship between the company and court bodies and outside the court. This Legal Audit aims to verify the legality of a legal entity or business entity, determine the level of compliance of a legal entity with a rule of law, provide views on a plan/action to be taken by the company, and to obtain legal certainty on a legal issue.

Keywords

Legal Audit, Legal Certainty, Good Corporate Governance, Precautionary Principle.

I. Introduction

In Indonesia today there are very many companies that grow and develop along with human development and global demands that are currently advancing. The company is an entity in a country that plays a role in the pace of development, where its existence is bound by state regulations in the form of laws and other regulations¹. In terms of existing regulations, the Government has issued so many laws and regulations that regulate companies that companies or legal entities must always follow and update all forms of changes that occur.

The company is the actor or driving the wheels of the economy so that it always turns. In carrying out this role, of course, the company interacts with the community, especially the community around which the company operates. While in general for the wider community, there are also positive impacts obtained, both socially and economically². In addition, the rapidly evolving business world presents challenges and threats for businesspeople to win the competition and maintain company profitability³. In this case, it results in a company that is only concerned with business transactions but is weak in its legal management and overrides the regulations that regulate and bind the company. This has resulted in many companies closing just because of legal problems that are not met by the company. In terms of improving good corporate governance in the company, there are currently Legal Auditors who work independently specifically to process and analyze Company Documents to be declared "healthy".

¹ Pujiyono, *Hukum Perusahaan* (Surakarta: CV Indotama Solo, 2014).

² Freddy Hidayat, *Mengenal Hukum Perusahaan* (Purwokerto Selatan: CV Pena Persada, 2020).

³ Muhammad Andre Alkahfi and Zuhri M. Nawawi, "Peran Etika Bisnis Dalam Perusahaan Bisnis Di Era Globalisasi," *ManBiz: Journal of Management and Business* 1, no. 2 (2022): 75–88, <https://doi.org/10.47467/manbiz.v1i2.1675>.

The enterprise is where all production activities take place and the gathering of all factors of production⁴. The company has functions and goals, that is, an operating function and a management function. Within the operations function are purchasing and production, marketing, finance, personnel. The main operating functions of the company, accounting, administration, information technology, transformation and communication, public services, and law. Supporting operations functions and management functions as planning, organizing, directing, controlling. If both run well, the company will run its operations smoothly, coordinated and integrated to achieve goals⁵.

Many companies are down because the governance of a company is not good or bad and bad governance also gives rise to many practices of Corruption, Collusion and Nepotism that occur. Thus, resulting in an economic crisis and a crisis of investor confidence, which has an impact on investors who do not want to buy shares or invest in the company⁶. To strengthen a company in realizing good corporate governance, it is necessary to conduct a corporate audit legal with kindness and based on the principle of prudence both for legal auditors and for the company.

Corporate legal audit is a legal examination and analysis of the application of various provisions of laws and regulations

⁴ Suwandi Suwandi Risma Adelia Yuningsih, "Pengaruh Audit Operasional Dan Pengendalian Internal Terhadap Kinerja Perusahaan," *Profit: Jurnal Manajemen, Bisnis Dan Akuntansi* 3, no. 1 (2024), <https://doi.org/10.53625/jcijurnalcakrawalailmiah.v2i6.4893>.

⁵ Monica Rahardian Ary Helmina Ahmad Habibi Arrasyid, "Literature Review: Pengaruh Good Corporate Governance Terhadap Nilai Perusahaan," *Neraca: Jurnal Ekonomi, Manajemen Dan Akuntansi* 2, no. 1 (2024): 331–43, <https://doi.org/https://doi.org/10.572349/neraca.v2i1.840>.

⁶ Rinitami Njatrijani, Bagus Rahmanda, and Reyhan Dewangga Saputra, "Hubungan Hukum Dan Penerapan Prinsip Good Corporate Governance Dalam Perusahaan," *Gema Keadilan* 6, no. 3 (2019): 242–67, <https://doi.org/10.14710/gk.2019.6481>.

regarding legal compliance or company legality. Legal Audit itself is an independent process of data and facts to assess the level of suitability, security, fairness conveyed in reports regarding opinions and suggestions for improvement. Legal audit is part of the Company's disclosure process related to the Company's State to realize the implementation of Good Corporate Governance regarding all legal aspects related to the company.

In particular, the objectives of good corporate governance are: (1) increasing the efficiency, effectiveness, and sustainability of an organization that contributes to the creation of the welfare of shareholders, employees and other stakeholders and is an elegant 22 solution in facing future organizational challenges; (2) increase the legitimacy of an openly, fairly, and accountably managed organization; (3) recognize and protect the rights and obligations of shareholders and stakeholders⁷. Theoretically, a legal audit report related to good corporate governance can increase the value of the company, reduce the risk that the board may do with decisions that are self-favorable, and increase investor confidence.

Legal audit or in legal terms known as Legal Due Diligence is due diligence in legal work by examining and / or assessing the risks that may arise in the business activities that will be carried out by the company. Maybe many people equate Legal Audit with Legal Due Diligence (LDD). Although both lead to the output of a Legal Opinion, there is a difference between Legal Audit and Legal Due Diligence (LDD). The difference lies in the scope, methods, and standardization of the implementation of activities. The method of conducting Legal Audit refers to auditing methods in general (in addition to other methods in terms of examination from the legal side). Regarding standardization of the

⁷ Hendrik Manossoh, *Good Corporate Governance Untuk Meningkatkan Kualitas Laporan Keuangan, PT Norlive Kharisma Indonesia : Bandung ISBN: 978-602-73706-6-1* (Bandung: PT. Norlive kharisma Indonesia, 2016).

implementation of activities, currently there is ASAHI (Indonesian Legal Auditors Association) which makes standards for the implementation of Legal Audit as well as the form and side of reporting to be used⁸. The difference between *legal due diligence* and legal audit. Legal due diligence can be carried out by legal service providers, while legal audits can only be carried out by certified legal auditors. The implementation of *legal due diligence* can only be carried out on a company or an entity. While legal audit has a broad object ranging from individuals, companies, assets, legislative, executive, judicial, etc. The last difference is that legal opinions on *legal due diligence* are free, which means that legal service providers can provide the widest possible advice to those who use their services. Meanwhile, legal audits can only provide limited legal opinions⁹.

There are five stages of asset management that can be implemented to increase the value of owned assets, namely asset inventory, asset legal audit, asset assessment, asset optimization, and asset monitoring and control¹⁰. Legal audit is one of the steps taken to optimize asset utilization. Legal audit is a scope of asset management work in the form of an inventory of asset control status, asset control systems and procedures, identification and finding solutions to legal problems, and strategies to solve various

⁸ Heber Anggara Pandapotan, "Auditor Hukum Di Lingkungan APIP," Badan Pengawas Keuangan Dan Pembangunan, n.d., https://www.bpkp.go.id/public/upload/unit/maluku/files/AUDITOR_HUKUM_DI_LINGKUNGAN_APIP.pdf.

⁹ SIP Law Firm, "Ini Perbedaan Legal Due Diligence Dan Audit Hukum," SIP Law Firm, 2023, <https://siplawfirm.id/ini-perbedaan-legal-due-diligence-dan-audit-hukum/?lang=id>.

¹⁰ Cris Kuntadi, Arum Indri Retnoningsih, and Dian Asri Finlandia, "Pengaruh Inventarisasi Aset, Legal Audit Aset Dan Penilaian Aset Terhadap Optimalisasi Aset," *Jurnal Ekonomi Manajemen Sistem Informasi* 3, no. 4 (2022): 414–25, <https://doi.org/https://doi.org/10.31933/jemsi.v3i4.965>.

legal problems related to the control or transfer of assets¹¹. Legal auditing is much more than just optimizing asset utilization.

The existence of Legal Auditors in carrying out Legal Audit in the Company is very important and strategic in building a Legal compliance system in Indonesia because at this time there are still many public officials of state administrators (legislative, executive and judicial) and private even from academics do not respect, obey or obey the law in every decision making and doing legal actions. This happens because decision makers do not understand the existence of legal risks in decision making, causing legal problems in legal disputes in its implementation. This happened as a result so far, the audit has only been carried out in terms of financial statements and asset valuation while the Company's audit from a legal point of view has not been carried out. Therefore, from the results of the legal audit, legal irregularities that occur in a transaction or legal act can be identified, so that the level of legal compliance and compliance is known or how far the law is obeyed/obeyed by the parties concerned in carrying out legal actions¹².

II. Method

The method of drafting this scientific article is by qualitative method and literature study or library research. Reviewing

¹¹ Yoseph Darius P.Rangga Elisabeth Emarlin Ruda, Wilhelmina Mitran, "Pengaruh Inventarisasi Aset, Penilaian Aset Dan Legal Audit Terhadap Kualitas Laporan Keuangan Pemerintah Daerah," *JRIME: Jurnal Riset Manajemen Dan Ekonomi* 1, no. 4 (2023): 145–66, <https://doi.org/https://doi.org/10.54066/jrime-itb.v1i4.739>.

¹² Jimly School of Law and Government, "Profesi Auditor Hukum (JSLG Dan ASAHl)," n.d., <https://www.jimlyschool.com/diklat/profesi-auditor-hukum-jslg-dan-asahi/>.

literature books in accordance with the theory discussed, especially in the scope of legal auditing in the company. So, to examine the problems in this writing, it is prepared in a planned and systematic manner regarding legal audits in the company. For the research approach method, the author uses a statutory approach, which is intended as a focus to review all laws and regulations in the field of legal audit. The legal materials used in this study consist of primary materials and secondary materials. Legal material is collected using the technique of collecting legal material in literature by conducting various searches which will then be grouped and analyzed by the author using prescriptive analysis techniques, namely "legal science studies the purpose of law, the values of justice, the validity of the rule of law, legal concepts, and legal and applied norms"¹³.

III. Result & Discussion

A. Correlation of Legal Audit with Good Corporate Governance: Its Importance

The term audit comes from Latin which means "listener", "hearing". Auditing is not a new field in science. In general, it can be said that this field has been used since ancient times, but exists in different forms¹⁴. Auditing is a planned, organized and purposeful series. To obtain and evaluate evidence objectively means that the audit process is aimed at obtaining evidence that underlies

¹³ Mahmud Peter Marzuki, *Penelitian Hukum: Edisi Revisi*, Revisi (Jakarta: Kencana Prenada Media Grup, 2017).

¹⁴ Turumova Dildora Abdumannonovna, "Development And Useful Aspects Of Auditing Activity In Uzbekistan," *Journal of Education , Ethics and Value* 3, no. 01 (2024): 136–40, <http://jeev.innovascience.uz/index.php/jeev/article/view/366/313>.

statements made by individuals or business entities, as well as to evaluate without prejudice¹⁵.

Legal audit is the activity of collecting data or facts for the selection, presentation, analysis, assessment and assessment of legal aspects of legal subjects, assets, legal acts / transactions, so that the level of quality of legal compliance or how far the law is complied with or applied, legal audit essentially compares facts that are real and should be according to applicable legal or legislative regulations¹⁶.

Legal Audit is conducted to help ensure that the risk management process, the scope of overall control and the effectiveness of the performance of the business process are consistent with management expectations. The current legal audit function is not only required to find problems but also be part of the solution and provide improvement proposals. Legal Audit is involved and plays an active role in monitoring the activities of business units and providing a consultative role in the implementation of the company's operational processes. Thus, the role of legal audit is not only limited to being a "detector" but can be more of a deterrent that is expected to be able to support and encourage the process of realizing good governance.

Meanwhile, legal audit activities to achieve good corporate governance should be carried out according to the correct mechanism and adjusted to legal audit standards. All weaknesses in the audit system such as human error factors, missed information related to rules and fulfillment of obligations that must be carried out by a company can always be monitored to achieve the right

¹⁵ Syahriyah Semaun, "Aspek Hukum Dalam Audit Korporasi," *Diktum: Jurnal Syariah Dan Hukum* 8, no. 1 (2010): 94–104, <https://doi.org/https://doi.org/10.35905/diktum.v8i1.302>.

¹⁶ Urbanisasi, "Auditor Hukum Di Era Digitalisasi Dalam Upaya Mencegah Transaksi Tindak Pidana Pencucian Uang," *Era Hukum* 16, no. 2 (2018), <https://doi.org/https://doi.org/10.24912/erahukum.v16i2.14907>.

results. In addition, the existence of corporate governance should be maximized to fulfill corporate social responsibility to the community and all parties who have an interest in the company.

One of the main objectives of enforcing corporate governance is to create a system that can maintain a balance in company control in such a way as to reduce the opportunity for mismanagement, create incentives for managers to maximize the productivity of asset use to create optimal added value for the company¹⁷. The implementation of good corporate governance principles is expected to encourage the company to run professionally, continue to grow and be profitable, and can anticipate risks in the future. Corporate governance is a set of rules that become a reference for company management so that the company can be managed properly, correctly, and full of integrity. In addition, with corporate governance, relationships with stakeholders can be fostered to achieve the vision, mission, and goals and objectives of the company in the short and long term¹⁸.

Legal due diligence / legal audit aims to assess the level of security of the company, especially in terms of aspects of legal risks that can endanger the assets owned by the company¹⁹. Due diligence of legal aspects / legal due diligence or commonly also called legal audit is a careful examination activity in terms of law carried out by Legal Consultants on a company or transaction object in accordance with the purpose of the transaction, to obtain information or material facts that can describe the condition of a

¹⁷ Dhoni Martien, *Hukum Perusahaan* (Depok: PT. RajaGrafindo Persada, 2023).

¹⁸ Hidayat, *Mengenal Hukum Perusahaan*.

¹⁹ R Yulianti, "Supervision Strategy in Decision Making of Business Cooperation Contracts by Director of Regional Companies (BUMD) Through the Implementation of Legal Due Diligence (Legal Audit), Financial Due Diligence, and Feasibility Study," in *International Joined Conference on Social Science ...*, vol. 603, 2021, 18–22, <https://doi.org/https://doi.org/10.2991/assehr.k.211130.004>.

company or transaction object. By conducting a Legal Audit, we can know the condition of the company, whether it is "healthy" legally or even problematic. Legal consultants are likened to doctors (legal consultants) who conduct examinations (legal audits) on patients (companies). So that legal audit is the same as the action of a doctor who examines a patient to find out whether he is sick or not so that he can decide what drugs or actions should be given to the patient²⁰.

The purpose of a legal audit can vary, depending on the request and needs of the Company requesting a legal audit. In general, legal audits are carried out to obtain legal status or legal explanations of documents being audited or examined; check the legality of a legal entity/business entity; checking the degree of observance of a legal entity; Provide legal views or legal certainty in a policy carried out by the company²¹. The required documents include the following: (1) The company's articles of association; (2) Documents regarding the company's assets; (3) Agreements made by the company with third parties; (4) Documents regarding licensing and approval of the company; (5) Documents related to company personnel matters; (6) Documents regarding company insurance; (7) Corporate tax documents; (8) Documents relating to whether or not the company is related to claims and/or disputes both inside and outside the court²².

Legal audit is the activity of the process of assessing data and facts between transactions carried out by the company and other parties. The purpose of a legal audit is to assess the level of company security, especially in terms of legal risk aspects that will endanger

²⁰ Boris Tampubolon, "Apa Itu Legal Audit Perusahaan Dan Contoh Dokumennya?," n.d., <https://www.konsultanhukum.web.id/apa-itu-legal-audit-perusahaan-dan-contoh-dokumennya/>.

²¹ Tampubolon.

²² PT. JEEF Legal Corpora, "Pentingnya Legal Audit Dalam Perusahaan," Yuris.id, 2024, <https://yuris.id/blog/pentingnya-legal-audit-dalam-perusahaan>.

company assets²³. To conduct its legal audit, the legal auditor primarily must: (1) Assign experienced staff and/or staff with specialist expertise according to the client's specific needs; (2) Carry out audit procedures (physical observation, analytical review, internal procedure review) in connection with the conclusion of the risk assessment; (3) Verifying accounting records and documents to ensure compliance with applicable laws and regulations; (4) Verifying the information contained in management's annual report communicated to shareholders; (5) Certification of official accounts, and, if necessary, consolidated accounts (net statements, fair statements with exceptions, or unfair opinions); (6) Inform shareholders about the results of legal audits through the preparation of reports²⁴.

One of the successful implementations of good corporate governance principles is by implementing an effective audit system in the company²⁵. Therefore, it is very appropriate for the company to conduct a legal audit to stabilize the company and develop the company.

B. The Role of Auditors in Legal Audit

A fair management and control system within the company will further encourage the sustainability of the company. Thus, control will become more important for the organization because

²³ PT. Justitia Global Mandiri, "Legal Audit, Legal Opinion, and Legal Reasoning," [justitiatraining.co.id](https://justitiatraining.co.id/program/program-profesional-training/legal-audit-legal-opinion-and-legal-reasoning/), 2024, <https://justitiatraining.co.id/program/program-profesional-training/legal-audit-legal-opinion-and-legal-reasoning/>.

²⁴ Action Expertise, "The Legal Auditor and His Statutory Mission in France," Action Expertise, 2019, <https://www.actionexpertise.fr/wp-content/uploads/2019/01/The-legal-auditor-and-his-stautory-mission.pdf>.

²⁵ Dedi Kusmayadi, Dedi Rudiana, and Jajang Badruzaman, *Good Corporate Governance* (Tasikmalaya: LPPM universitas Siliwangi, 2015).

management may not be able to personally monitor everything for which it is responsible. So prevention needs to be done as early as possible to avoid risks related to legal problems²⁶. The role of legal audit in assessing legal compliance is to ensure that actions taken by relevant agencies or organizations comply with applicable laws and regulations²⁷.

Legal Audit is an investigation of a company into all work and documentation related to law. Legal audits are carried out to find out which rules have been fulfilled or obeyed correctly. Legal audits will be carried out by the audit committee and are closely related to controlling and reviewing compliance with implemented regulations so that legal risks can be prevented²⁸.

The legal auditor profession received official recognition from the Director General of Training and Productivity Development of the Ministry of Manpower and Transmigration with Decree No. KEP.242/LATTAS/XI/2014 on November 4, 2014. The content becomes a reference in the development of work competency certification schemes for legal auditors²⁹. Other provisions are contained in the Decree of the Director General of

²⁶ Sudarna et al., "The Implementation of Legal Audit by the Audit Committee: The Case of One Company," *International Journal of Scientific and Technology Research* 9, no. 1 (2020): 3964–71, <https://repository.unja.ac.id/18705/1/The-Implementation-Of-Legal-Audit-By-The-Audit-Committee-The-Case-Of-One-Company.pdf>.

²⁷ R Iman Pribadi, I Gede Widhiana Suarda, and Aan Efendi, "Administrative Errors With Potential to Harm State Finances Based on Legal Audit By The State Prosecutor," *Unes Law Review* 6, no. 3 (2024): 8806–15, <https://doi.org/https://doi.org/10.31933/unesrev.v6i3>.

²⁸ Sudarna et al., "The Implementation of Legal Audit by the Audit Committee: The Case of One Company."

²⁹ Normand Edwin Elnizar, "Minat Jadi Auditor Hukum? Begini Prosedurnya," *Hukum Online*, December 2022, <https://www.hukumonline.com/berita/a/minat-jadi-auditor-hukum-begini-prosedurnya-lt63a01c81e1f9e/>.

Vocational and Productivity Training Development Number 2/2017/LP.00.00/VII/2022 concerning Registration of Special Work Competency Standards for Legal Auditors of the Indonesian Association of Legal Professionals (PAPHI).

A legal auditor is an auditor who is responsible for evaluating and ensuring an organization's compliance with applicable legal and regulatory requirements. The main task of a legal auditor is to ensure that the organization operates in accordance with applicable legal regulations and minimize risks that may disrupt the business.

Legal auditors perform audit/supervision/examination functions carefully and thoroughly on the implementation of legal provisions applicable to the company, as well as conducting legal audits or due diligence for companies that will conduct an initial public offering (IPO)³⁰.

Methods in conducting the Legal Audit process, including³¹:

1. Developing a Planning Framework *Legal Audit*. Legal audit planning is tailored to the purpose of the assignment. Where these planning steps are outlined in a working paper containing: (a) the purpose of the auditor's assignment; (b) the scope of the auditor's assignment; (c) compliance test materials in correlation with relevant laws and regulations; (d) managerial classification and division of duties; (e) cost budget and implementation infrastructure; (f) work schedules.
2. Drawing up the scope of work Legal Audit. This scope is prepared in working papers as requested by auditor and has been stated in the letter of assignment.

³⁰ Law Offices of Teddy & Partners, "Legal Auditor," Law Offices of Teddy & Partners, 2024, <https://teddyandpartners.com/service/legal-auditor/>.

³¹ Gregorius Yoga Panji Asmara Yovita Arie Mangesti, Slamet Suhartono, *Mengenal Audit Hukum (Legal Audit)*. Cetakan Pertama (Karanganyar: CV. Cipta Mandiri Solusindo, 2021).

3. Collecting laws and regulations. This part is especially important because at the time of doing legal audit, the rules used are adjusted to the assignment. All regulations are collected, validated and classified according to hierarchy of legal rules in Indonesia as set forth in Law Number 12 of 2011.
4. Determine Audit Materials. At this stage, a legal audit is carried out by collecting objects, both in the form of documents and observations which will later be analyzed, in order to be tested for compliance with applicable laws and regarding assignments.
5. Forming an Audit Work Team. In forming an audit work team, a managerial classification of the work team is carried out *legal audit*. This work team is prepared with the experience and knowledge needed in the assignment. The distribution of duties of each personnel and the preparation of infrastructures are carried out.
6. Determining Work Schedule *Legal Audit*. The work schedule will be included in the planning framework *legal audit*. The more complicated it is, of course, the longer it will be, and the costs required will be even greater.
7. Determine the budget for the cost of conducting the audit. The budget for conducting an audit can vary according to the assignment, scope of work, and resource allocation.
8. Drafting working papers for implementation Legal Audit. Working papers or audit reports are systematically prepared as follows: (a) introduction; (b) the purpose of the audit engagement; (c) the identity of the legal auditor and the composition of the work team; (d) the identity of the recipient of the legal audit report; (e) identity auditee; (f) the basis for appointment as a legal auditor; (g) the purpose of the legal audit assignment; (h) legal audit materials; (i) a summary of the work of the legal auditor; (j) assumptions and qualifications; (k) executive summary; (l) the results of a legal audit; (m) legal opinions; (n) Conclusion.

The results of the legal compliance test will produce audit results which will then be submitted to the auditee. The Indonesian Legal Auditors Association (ASAHI) provides a conclusion model of four criteria, namely: *first, Clear and Clean (C & C)*. This level of C&C is the best condition for the *auditee*. C&C means adherence to the highest positive law. In addition, "*clean*" indicates that there is a complete legal issue against a third party. *Second, Clear, But Not Clean (CBNC)*. CBNC i.e., important level of legal compliance. In this condition, all provisions, procedures, and legal processes have been passed and carried out correctly in accordance with the law. However, there are legal problems with legal subjects (*legal standing*, competence, competence, authority) and legal objects (aspects of licensing, assets, capital), and/or actions (agreements with partners and others). *Third, Not Clear, But Clean (NCBC)*. The NCBC rate is a less important level of legal compliance. This means that not all provisions, procedures, and legal processes have been passed and carried out correctly in accordance with the law. However, at the level of legal actions with third parties, partners, or assets are not problematic. *Fourth, Not Clear, Not Clean (NCNC)*. The NCNC level is the lowest level of legal compliance. At this stage, the *auditee* is not law-abiding and does not completely resolve the burden of legal responsibility to third parties, partners, and the community at large³².

The results of legal audits can be legal audit reports, legal opinions, and legal audit records. The results of legal audits are the basis for providing legal opinions in the context of securities emissions, fulfilling audit employers' requests, granting & restructuring credit, by order of laws or court decisions, and to provide legal advice / advice. The results of the Legal Audit are also useful for solving legal problems, including for handling cases, civil

³² Warsito Yovita Arie Mangesti, Slamet Suhartono, Gregorius Yoga Panji Asmara, *Mengenal Audit Hukum (Legal Audit)* (Karanganyar: PT. Cipta Mandiri Solusindo, 2021).

and criminal. The results of Legal Audit can be grouped into: Clear & Clean (highest level of legal compliance), Clear Not Clean (important level of legal compliance), No Clear Either Clean (lowest level of legal compliance³³. Audit quality will be influenced by several factors, including: (1) auditor competence; (2) auditor independence; (3) auditor accountability; (4) time budget pressure audit; (5) due professional care auditor³⁴. In addition, a legal auditor really needs to apply the principle of prudence in carrying out his duties. The precautionary principle is one of the factors that support the results of good audit quality. Therefore, legal auditors are strongly advised to carry out their actions in accordance with the precautionary principle.

After the legal audit report is issued, the report is reviewed for conformity with applicable laws and regulations and legal audit materials. The review is adjusted to the results of data and information analysis. Then, after all these stages are completed, a report on the results of the legal audit is carried out to be presented and a submission of the Legal Audit Results Report (LHAH) is carried out through the Handover Minutes.

Audits conducted by competent independent auditors are quality audits. Auditors must exercise independence and competence in carrying out their responsibilities³⁵. Auditors are generally the same as other professions and are subject to law and other regulations. Auditors will be subject to sanctions for

³³ Ilmu Syariah (S3), "Legal Audit: Ruang Lingkup Dan Urgensinya," Prodi Ilmu Hukum Fakultas Syariah dan Hukum UIN Sunan Kalijaga Yogyakarta, 2022, <https://ilmusyariahdoktoral.uin-suka.ac.id/id/liputan/detail/1734/legal-audit-ruang-lingkup-dan-urgensinya>.

³⁴ Yovita Arie Mangesti, Slamet Suhartono, Gregorius Yoga Panji Asmara, *Mengenal Audit Hukum (Legal Audit)*.

³⁵ Kanaya Lapae Harry Budiantoro, Mohamad Royudin, Zainal Zawir Simon, "Pengaruh Audit Tenure, Rotasi Audit, Ukuran Kap, Dan Ukuran Perusahaan Terhadap Kualitas Audit," *Jurnal Ekonomi Dan Bisnis* 11, no. 1 (2022), <https://doi.org/https://doi.org/10.34308/eqien.v11i1.795>.

negligence, such as failure to comply with professional standards in their performance³⁶.

The important thing is that the auditor cannot act as a guarantor of the accuracy of the company's full audit report results³⁷. In this case, the legal auditor will not be held responsible if there are incorrect or fake documents provided by the company. As long as the legal auditor works in accordance with work standards and does not participate in creating fake documents, the legal audit cannot be blamed. The auditor will be responsible for his careless actions, dishonesty in conducting the audit, but the audit is not responsible for the actions of the company which commits fraud or deception in the documents provided to the legal auditor.

IV. Conclusion

Legal audit aims to assess the level of company security, especially in terms of legal risk aspects that can endanger assets owned by the company and to obtain information or material facts that can describe the condition of a company or object of transaction. Legal audit is carried out by always applying the precautionary principle so that the objectives of this legal audit can be achieved optimally. This legal audit will then be the basis for consideration for the client to take decisions about next steps with

³⁶ Budi Gautama Siregar, "Etika Dan Tanggung Jawab Hukum Auditor," *Etika Dan Tanggung Jawab Hukum Editor Siregar, B. G. (2017). Etika Dan Tanggung Jawab Hukum Auditor. Etika Dan Tanggung Jawab Hukum Editor, 3(1), 33–46. 3, no. 1 (2017): 33–46, <https://doi.org/https://doi.org/10.24952/yurisprudencia.v3i1.678>.*

³⁷ Azizul Kholis et al., "Kewajiban Hukum (Legal Liability) Auditor," *Jurnal Bisnis Dan Akuntansi 3, no. 3 (2001): 507–19, <https://doi.org/https://doi.org/10.34208/jba.v3i3.527>.*

respect to the transaction. In general, due diligence is carried out through: (1) Examination of documents; (2) Attend verification meetings with the Company's management and other related parties, as well as; (3) Search for publicly available information. Then, the findings of the legal auditor in the legal audit become material in a legal opinion. Legal opinion is an answer to a legal issue in the form of a legal opinion made by an advocate or paralegal for the benefit of the Company. Usually, the legal opinion is intended to provide information on everything related to the problem faced based on the report of the results of the legal audit (legal audit). Legal opinion must include identification of legal problems, identification of legal facts, inventory of legal rules, application of regulations to problems, making legal analysis, and making conclusions that answer the legal problems faced. In addition, legal audits also serve as a great tool to mitigate risk and identify potential areas for improvement in terms of compliance and overall legal strategy. Ultimately, conducting a legal audit helps protect a business and its stakeholders by ensuring that everything is done in accordance with the law. Examination in legal audits can have an impact, companies can find the possibility of data deficiencies, lack of permits that have not been taken care of, can find risks that will occur in the future. On the other hand, companies that have been audited and have received an Audit Report at a certain time from the Auditor can immediately close the gaps in deficiencies from all aspects so that they can be trusted by business partners or interested parties.

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