THE ROLES OF AUDIT COMMITTEE IN THE IMPLEMENTATION OF GOOD CORPORATE GOVERNANCE

(A CASE STUDY IN STATE OWNED ENTERPRISES
PT PERKEBUNAN NUSANTARA VI (PERSERO))

Skripsi
By

WINDA MONIKA NABILLYA
008200900089
Presented to

The Faculty of Economic, President University
In partial fulfillment of requirements
For
Bachelor Degree in Economic, Major in Accounting

President University
Cikarang Baru – Bekasi
Indonesia
2013
PANEL OF EXAMINERS APPROVAL SHEET

Herewith, the Panel of Examiners declares that the thesis entitled “The Roles of Audit Committee in Implementation of Good Corporate Governance A Case Study in State Owned Enterprises PT Perkebunan Nusantara VI (Persero)” submitted by Winda Monika Nabillya majoring in accounting, Faculty of Economics is assessed and proved to have passed the Oral Examination on March 13, 2013.

Chairman Panel of Examiner,

........................................

Drs. H. Umar Subandijo, MBA

Examiner 1

........................................

Monika Kussetya Ciptani, SE, M.Ak

Examiner 2

........................................

Mairizal Chaidir, SE, AK, M.Com
SKRIPSI ADVISORRECOMMENDATION LETTER

This skripsi “The Roles of Audit Committee in Implementation of Good Corporate Governance A Case Study in State Owned Enterprises PT Perkebunan Nusantara VI (Persero)” prepared and submitted by Winda Monika Nabillya in partial fulfilment of the requirements for the degree of Bachelor Degree in Economics – Major in Accounting, has been reviewed and found to have satisfied the requirements for a thesis fit to be examined. We therefore recommend this thesis for Oral Defence.

Cikarang, Indonesia, January 25th, 2012

Acknowledge, Skripsi Advisor,

Dr. Sumarno Zain, SE, Ak., MBA
Head of Accounting Study Program

Drs. H. UmarSubandijo, Ak, MBA
Advisor
DECLARATION OF ORIGINALITY

I declare that this thesis “The Roles of Audit Committee in Implementation of Good Corporate Governance A Case Study in State Owned Enterprises PT Perkebunan Nusantara VI (Persero)” is originally written by myself based on my own research and has never been used for any other purpose before. I therefore request the thesis for oral defense.

Cikarang, Indonesia, January 25th, 2013

Researcher,

[Signature]

Winda Monika Nabillya
008200900089
ABSTRACT

Corporate Governance has become a major topic in global business by increasing business complexity and competitive pressures faced by the company. In Indonesia there is Code of Good Corporate Governance a framework offering standards as well as guidance for enterprises to implement GCG. PTPN VI is a State Owned Enterprises which implemented GCG on its Company business operation. The company organ, especially the Audit Committee has important role in assuring the implementation of GCG in PTPN VI. This study aims to describe the role of Audit Committee in the implementation of GCG in PTPN VI.

This study is conducted using qualitative descriptive approach. The technique used to perform this study is the data collection, observation and interview. The data obtained were analysed by describing the performance of Audit Committee in assuring the application of GCG at PTPN VI. The results of this study indicate the existence of an important role of Audit Committee in the implementation of GCG.

Moreover these results show the effectiveness of GCG application to protect the Company asset and how GCG become the need for PTPN VI. Because for PTPN VI to implementing GCG principles on its business activity is not only an obligation to Law and Provision but also a need.

As the recommendation to increasing the GCG implementation, PTPN VI need to encourage all of it’s the employees to join the practice of GCG on their working activity. The commitment and support from all of the stakeholders to implementation of GCG will create added value and achieve the Company’s good state of economy, efficiency, effectiveness and compliance (3EC).
ACKNOWLEDGEMENT

This thesis is the final chapter of my study at President University. This thesis is the contribution from those people who have faith for me to be a successful person. And for them I dedicated my thesis. During the time study at President University, I was met so many people, who was inspired me and gave me lot of lesson to learned. And in this opportunity, I would like to express my deepest appreciation to:

1. My Mom and Dad, Mega, Citra and Rajaa’, for Eyang, Ibu and Om Asep. I dedicated this thesis for you all, thank you for the support, the love and the never pray. I try my best to make you proud of me.
2. Mr. Drs. H. Umar Sobandijo, MBA, as my thesis advisor for his willingness to provide time and guidance for this thesis.
3. Mr. Dr. Sumarno Zain, SE, Ak., MBA as Head of Accounting Study Program, Mr. Misbahul Munir, Mba Tuti, and all of the President University lecturers, for the knowledge they have given during the study in President University.
4. Mr. Andre Pulungan, thank you for every advice you have given to me during the study at President University.
5. Mr. Marzuki Usman, Mr. Jantiar Sitorus, Mr. Amin Sembiring, Mr. Marfaizon, Ms. Immawati Wahyuni, Ms. Veronica Sitorus and all of the PTPN VI staffs, I deliver so many thanks for the warm welcome and fully support in finishing this thesis.
6. Mr. Immanuel Sitompul, the man behind the thesis. I have nothing to say but thanks Sir.
7. IAI family especially Mrs. Ersa Tri Wahyuni, thank you for the support.
8. Ms. Diana Widyastuti, Ms. Peni Soenjoto, Santi, Nalini, Maylani and Mr. Darmaji, thank you, thank you and thank you. I am so blessed to have known you all, thank you for the support, the help, the love, the care, the joy and the presence on my hard time. Thank you.
9. Arcilla and Gamaliel. Thank you for being the best part of my college life. Bitter sweet memories will last forever.
10. Fanny, Renate, Cintantya, Yomi, Danil, William, Pascal, Rifan, Bude, Steven, Alan, Detya, Marlon, Timenk, Putri, Imah, Agung, ACC batch 2009, Pep, Garong and all of my friends at President University, thank you for your help, support, tears and joy during my study at President University. If I could run back the time, I prefer to rewind my college life with you all.
Ted Mosby: I have to be an Architect. That’s the plan.

Lily Aldrin: Screw the plan, you can’t design your life like a building, it doesn’t work that way. You just have to live it and it will design itself.

Ted Mosby: So I will just do nothing?

Lily Aldrin: No, You have to listen what the world is telling you to do and TAKE A LEAP.

How I Met Your Mother S04E24
# TABLE OF CONTENTS

PANEL OF EXAMINERS APPROVAL SHEET ............................................................ i
SKRIPSI ADVISOR RECOMMENDATION LETTER ............................................. ii
DECLARATION OF ORIGINALITY .................................................................. iii
ABSTRACT ........................................................................................................ iv
ACKNOWLEDGEMENT .................................................................................... v
TABLE OF CONTENTS .................................................................................... vii
LIST OF FIGURES ............................................................................................ ix
LIST OF TABLES ............................................................................................... x
CHAPTER I .......................................................................................................... 1
INTRODUCTION ................................................................................................. 1
  1.1 Research Background .............................................................................. 1
  1.2 Problem Identification and Statement ..................................................... 4
  1.3 Research Scope and Limitation ............................................................... 4
  1.4 Research Objectives ................................................................................ 5
  1.5 Research Benefits ................................................................................... 5
  1.6 Research Method .................................................................................... 6
CHAPTER II ......................................................................................................... 7
LITERATURE STUDY .......................................................................................... 7
  2.1 Corporate Governance ............................................................................ 7
  2.1.1 Definition of Corporate Governance ................................................. 7
  2.1.2 Principle of Corporate Governance ................................................... 8
  2.1.3 Source of Corporate Governance Principles ..................................... 9
  2.2 Organs of the Company .......................................................................... 10
  2.2.1 Board System ..................................................................................... 10
  2.4.2 General Meeting Shareholder ............................................................. 13
  2.4.3 Board of Commissionaire .................................................................. 14
  2.4.4 Board of Director ................................................................................ 16
  2.4.5 Audit Committee .................................................................................. 18
  2.4.6 Corporate Secretary ............................................................................ 21
LIST OF FIGURES

Figure 2 - 1 Structure Corporate Governance Single-Board System .......................... 11
Figure 2 - 2 Structure Corporate Governance Dual-Board System........................... 12
Figure 3 - 1 Research Developing Step ...................................................................... 28
LIST OF TABLES

Table 3 - 1 Business Unit in PTPN VI .......................................................... 34
Table 3 - 2 Total of Employees in PTPN VI Based on Position .................... 35
Table 4 - 1 Audit Committee Structure in PTPN VI ..................................... 42
Table 4 - 2 Audit Committee Meeting Attendance Rate in PTPN VI ............. 44
Table 4 - 3 Audit Committee Meeting Schedule in PTPN VI ....................... 44
Table 4 - 4 Audit Committee Activities in PTPN VI ................................... 45
1.1 Research Background

Corporate Governance has become a major topic in global business by increasing business complexity and competitive pressures faced by the company. Corporate scandals involving major companies, such as Enron have made the International World increasingly devoting attention to Corporate Governance. Corporate scandals suggests that the Company’s organs have not been able to carry out the company's functions, duties, and responsibilities as well, which in turn lead to failure in achieving corporate goals. To encounter this situation, Good Corporate Governance(GCG) is becoming a prevention concept to protect the company's asset and public interest. Currently GCG is not only become the solution to protect the Company’s asset but also as a tools to achieve company’s good state of economy, efficiency, effectiveness and compliance (3EC).

In Indoensia GCG concept is introduced as the economy recovery from the big financial crisis in 1998. The financial crisis is happen because of unbalanced supervising from the Government with the rapid grow in banking industry. It is creates uncontrol condition, as the result during 1997 until 1999 for about 64 banks are liquidated because of undercapitalized, bad creadit and lack of good bank management aplication. For the recovery effort the Government signs the letter of Intent with International Monetary Fund to create conducive environment in implementing GCG. As the serious action in the implementation of GCG, Indonesia is establish special institution called The National Committee on Governance (NCG) in November 30,
by virtue of the Decree of the Coordinating Minister for Economics Affairs, The Decision Letter of Ministry of Economic No.: KEP-49/M.EKONOM/1/YEAR 2004. In 2006, NCG is release The Indonesian Code of Good Corporate Governance to refine guidelines that have been issued in 2001 to conform to the development. Beside NCG there is also Forum for Corporate Governance in Indonesia (FCGI), which is established on February 8, 2000 by 5 professional and business associations.

Nontheles, the implementation of Good Corporate Governance is not yet mandatory to all companies, since such document is only a code. At the initial stage, the intention of NCG is to obligate State Owned (BUMN) and Public Listed Enterprises to comply with the GCG principles in the performance of their management. It is evidence from the regulation concerning State Owned Enterprises issue by The Ministry of State Owned Enterprises through the decision letter No.117/M-MBU/2002 and regulation concerning Public Listed Companies issue by Indonesian Capital Market Supervisory Agency (Bapepam-LK).

The Code of Good Corporate Governance of Indonesia is a framework offering standards as well as guidance for enterprises to implement GCG with the purpose of achieving sustainable growth of the company through a management system based on the principles of transparency, accountability, responsibility, independency and fairness. Regarding regulation concerning State Owned Enterprises, The Ministry of State Owned Enterprises has set the Decision Letter No.117/M-MBU/2002 to be a concrete guidance of GCG. The Ministry of State Owned Enterprises obligate the compliance of such principle by mandating the establishment of Audit Committe on every State Owned Enterprises Companies, which is aim to assist the members of the Board of Commissionaires in performing their obligation, as stated on The Decision Letter No.KEP-103/MBU/2002.
To give an independent opinion, regarding any information launched by The Board of Director to The Board of Commissionaire is one of The Audit Committee obligations. In implementing the GCG, The Audit Committee perform an important role as a communication bridge between the shareholder and the stakeholders about the current condition of the Company. To accomplish its obligation, Audit Committee needs to maintain good communication with Internal Auditor as well as the External Auditor in aiming to implement the principle of GCG and achieve company’s good state of economy, efficiency, effectiveness and compliance (3EC).

PT Perkebunan Nusantara VI (Persero) (red: PTPN VI) is one of State Owned Enterprises engaged in the plantation sector, especially oil palm. PTPN VI has the jurisdiction spreads in several parts of the counties, this condition makes PTPN VI has many parties interested to the company. Not only the Shareholders, Commissioners, Directors and Employees, but also the Central and Regional Governments, Investors and Business Partners, Customers and Buyers, Creditors, Supplier and the surrounding community are counted as the Stakeholders for PT PN VI. The interests of each party are different and in fact conflicting with each other. The balance, in order to meet the interests of different groups is needed to be preserved in the long run. To achieve and maintain the balance, PTPN VI implementing GCG as a framework for Board of Commissioners, Board of Directors and all levels of the company in managing the company.

As the indicated in annual report PTPN VI has complied with the principle of transparency by functioning the role of its audit committee in assuring any information launched by the Company is properly reported. The implementation of GCG and the effectiveness of the audit committee should become the needs of PTPN VI in performing their companies activity. To know how effective the Audit Committee performs its function, writer titled this thesis as “The Role of Audit Committee in
Implementation of Good Corporate Governance A Case Study in State Owned Enterprises PT Perkebunan Nusantara VI”.

1.2 Problem Identification and Statement

The background of the problem leads into the statement below

- How effective the role of audit committee in the implementation of Good Corporate Governance to enhance the value of the Company.
- Is the Good Corporate Governance one of the tools to protect the asset of the Company?
- Is the Good Corporate Governance a need for the Company to run their business activities?

1.3 Research Scope and Limitation

This thesis is discussed about the effectiveness of audit committee in the implementation of Good Corporate Governance in PTPN VI. The writer is analyzing the effectiveness of the audit committee activities in two years periods. Assuming that every informations stated in Annual Report as a measurement of the effectiveness of the audit committee role in implementing their obligation.
1.4 Research Objectives

The objectives of the research are:

- To analyze the effectiveness of audit committee in the implementation of GCG.
- To analyze the implementation of GCG as the asset protector.
- To analyze the implementation of GCG as the needs of the Company to run their business activities.

1.5 Research Benefits

The benefits of the research are:

- Research Benefits for company
  The result of this evaluation can give benefit to the company as a feedback for improving the audit committee performance. The research will give information about the effectiveness of the audit committee in obliging their role and be able to enhance the performance of the audit committee.

- Research Benefits for writer
  The result of this evaluation can be a comparison of theory that learned in class and the fact that happened in the company. This result will increase the knowledge of writer about the topic. Furthermore, this thesis is giving writer information about how State Owned Enterprises run their business activities along with the mandatory regulation issued by the Ministry of State Owned Enterprises.
• Research Benefits for readers

The result of this evaluation is able to expand the knowledge of the readers about the important role of the audit committee in implementing the GCG. This research may also help another writer to know more about the important role of the audit committee in implementing the GCG recently as reference for their research.

1.6 Research Method

This research uses qualitative method specification case study method. Case Study is a method to examine of a situation which is referred as a case using systematic ways in making observations, collecting data, analyzing information, and reporting the results. As a result, it will obtain a deep understanding of why things happen and can be a basis for further research.
2.1 Corporate Governance

2.1.1 Definition of Corporate Governance

Based on Organization for Economic Co-operation and Development (OECD) Corporate Governance is one key element in improving economic efficiency and growth as well as enhancing investor confidence. Corporate governance involves a set of relationships among a company’s management, its board, its shareholders and other stakeholders. Corporate governance also provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined.

Based on Forum for Corporate Governance in Indonesia (FCGI) Corporate Governance is a set of rules that describe the relationship among shareholders, managers, creditors, the government, employees and other internal and external stakeholders in respect to their rights and responsibilities, or the system by which companies are directed and controlled.

Based on the two descriptions above, the writer conclude that Corporate Governance is a set of system to govern the Company which aim to protect the Company’s asset and to create value added to all Stakeholders. Since GCG is able to enforce the development of clean, transparent and professional management working
pattern, therefore the consistent implementation of GCG principles in the Company will attract domestics as well as foreign investors’ interest.

2.1.2 Principle of Corporate Governance

The Indonesia’s Code of Good Corporate Governance (2006, p5) state that GCG general principles which includes transparency, accountability, responsibility, independency, and fairness are necessary to attain a company’s sustainability by also considering the interests of stakeholders.

1. Transparency

To preserve and maintain the objectives in practicing business, a company must provide material and relevant information that are easily accessible and understandable by stakeholders. A company must take the initiative to disclose not only the issues mandated by laws and regulations, but also other information deemed necessary by shareholders, creditors and other stakeholders to form a decision.

2. Accountability

A company must be accountable for its performance transparently and fairly. Thus, a company must be managed in a proper and measurable manner, in such that it is aligned with the interest of a company by also considering the interest of shareholders and other stakeholders. Accountability is a prerequisite to achieve sustainable performance of the Company.
3. Responsibility

A company shall abide to laws and regulations and fulfil its responsibility to the communities and environment for the purpose of maintaining long term sustainability of the business and to be recognized as a good corporate national.

4. Independency

To accelerate the implementation of the GCG principles, a company must be managed independently with an appropriate balance of power, in such a manner that no single company’s organ shall dominate the other and that no intervention from other party shall exist.

5. Fairness

In conducting its activities, a company must always consider the interests of shareholders and other stakeholders based on a fairness principle.

2.1.3 Source of Corporate Governance Principles

The guideline of GCG in Indonesia is set out in the Indonesia’s Code of Good Corporate Governance which has been launched by the NCG. As the frameworks for companies to implement the GCG, this code is generally can be used for Publicly listed companies, state-owned enterprises, province and region-owned companies, companies that raise and manage public funds, companies of which products or services are widely used by public, and companies with extensive influence on environment to set their own regulation regarding the implementation of GCG as well as the applicable sanction.

The regulation concerning State Owned Enterprises issue by The Ministry of State Owned Enterprises through the decision letter No.117/M-MBU/2002, this letter is
explain more about the practice of good corporate governance. Every term and condition of GCG implementation, such as implementation of principle of GCG, the establishment of Board of Commissioner and Director, establishment of the Audit Committee and the General Meeting are being disclosed by the letter. Moreover, in Provision No.19 Year 2003 Article 5 explicitly state that in carrying out their duties, members of the Board of Directors must comply with state statutes and regulations and shall implement the principles of professionalism, efficiency, transparency, independence, accountability, responsibility and fairness. By issuing rules that bind to all State Owned Enterprises, the Ministry of State Owned Enterprises is expected to help the implementation of good corporate governance practices in Indonesia.

2.2 Organs of the Company

2.2.1 Board System

In CG, there are two types of board system. The first is Single Board System, this system is not separated the member of Board Commissioner and Board Director. In this system the member of board commissioner is also the member of board director, and both of this board are called board or directors. England and United States of America are the countries which adopt this single system as the influence of Anglo-Saxon.
The second is Dual Board System which is adopting by Continental Europe Countries. In this system there are strict separation between the member of board of commissioner as the supervisor and the member of board director as the Company’s executive.

Source: (Tjager, dkk 2003) and (Syakhroza, 2005)
Dual board system is consist of General Meeting of Shareholder, Board of Commissioner and Board of Director. The General Meeting of Shareholder is the highest structure to appoint and remove commissioners who represent the shareholders to exercise control over management. The Board of Commissioners oversees the company's board of directors and has the authority to appoint and dismiss the board of directors as well as perform duties of directors in the oversight of the company. The position of the board of commissioners in this model is strong to the board, therefore the function of control of the management to be effective. Most ofthe Companies in Indonesia are using the dual board system.
2.4.2 General Meeting Shareholder

The General Meeting of Shareholders (GMS) is a company’s organ that facilitates shareholders to make important decisions regarding their investment in a company, by observing provisions in the articles of association and the rules and regulations (Indonesia’s Code of Good Corporate Governance, p11).

The concepts of GMS explicitly explain on Law No.40 Year 2007 Article 75 until 107, furthermore for State Owned Enterprises General Meeting of Shareholder is explained on the provision Per-01/MBU/2011 Article 6 and Law No.19 Year 2003 Article 14.

The authority of GMS for State Owned Enterprises as follow:

1. Shareholder of State Owned Enterprises is The Government of Republic Indonesia in this case, represented by The Ministry of State Owned Enterprises.

2. GMS has the authority to appoint and dismiss both Board of Commissionaire and Board of Director.

3. The decision can be taken in GMS are the decisions that concern about:

   a. Change in the amount of the capital

   b. Changes to the articles of association

   c. The arrangement of earnings application

   d. Merger, consolidation, acquisition, separation, and dissolution of the Company (Persero)

   e. Investment and long-term financing

   f. The Company (Persero) cooperation
g. Establishment of subsidiaries or equity

h. Transfer of assets.

4. GMS shall be convened annually no later than 6 (six) months after the end of accounting year.

5. All documents from the annual report of the Company shall be submitted in the annual GMS.

2.4.3 Board of Commissionaire

The Board of Commissioners as an organ of the company shall function and be responsible collectively for overseeing and providing advices to the Board of Directors and ensuring that the Company implements the GCG. However, the Board of Commissioners is prohibited from participating in making any operational decision. Each of the members of the Board of Commissioners, including the Chairman, has equal position. The duty of the Chairman of the Board of Commissioners as primus inter pares is to coordinate the activities of the Board of Commissioners. The function of The Board of Commissionaire, as follow:

1. The Board of Commissioners is prohibited from participating in any operational decision making. In circumstances where the Board of Commissioners makes decisions regarding matters as stipulated in the articles of association or laws and regulations, such decisions shall be made within its supervisory function, so that decisions on operational activity shall remain the responsibility of the Board of Directors. The authority of the Board of Commissioners shall be carried out within their supervisory and advisory function;
2. In circumstances where it is deemed necessary in the interest of the company, the Board of Commissioners may impose sanction on members of the Board of Directors in the form of a suspension, subject to further determination by General Meeting of Shareholders;

3. In circumstances where a vacancy occurs in the Board of Directors or in a situation as stipulated by laws and regulations and the articles of association, the Board of Commissioners may carry out the function of the Board of Directors on a temporary basis;

4. To enable the exercise of its function, the members of the Board of Commissioners, collectively and individually, are entitled to have access to, and to obtain information regarding the company on a timely and complete basis;

5. The Board of Commissioners shall have rules and guidelines set out in a charter to ensure that its duties can be executed in an objective and effective manner. The charter can also be used as one of the tools for performance evaluation purposes;

6. In performing its oversight function, the Board of Commissioners shall submit an accountability report for overseeing the conduct of the management by the Board of Directors in the framework of obtaining the release and discharge (acquit et decharge) from General Meeting of Shareholders;

7. In carrying out its duty, the Board of Commissioners may form committees. Any proposal from the committees shall be submitted to the Board of Commissioners for approval. For publicly listed companies, state-owned enterprises, province and region-owned companies, companies that raise and manage public funds, companies of which products or services are widely used by public, and companies with extensive influence on environment, an Audit Committee shall be established,
whereas other committees are formed as required. (Indonesia’s Code of Good Corporate Governance, p13)

2.4.4 Board of Director

The Board of Directors as a company organ shall function and be responsible collegially for the management of the company. Each member of the Board of Directors can carry out its duty and take decisions in accordance with their respective assignments and authorities. However, the execution of tasks by each member of the Board of Directors remains to be a collective responsibility. The position of each respective member of the Board of Directors including President Director is equal. The duty of the President Director as primus inter pares is to coordinate the activities of the Board of Directors. The functions of Board of Director, as follow:

1. Management

   a. The Board of Directors shall formulate the vision, mission, and values of the company as well as the short and long term program of the company to be discussed and approved by the Board of Commissioners or General Meeting of Shareholders in accordance with the articles of association;

   b. The Board of Directors shall be able to manage resources of the company effectively and efficiently;

   c. The Board of Directors shall consider the interest of the stakeholders properly.
2. Risk Management

   a. The Board of Directors shall establish and implement a sound risk management within the company covering all aspects of the company’s activities;

   b. Each strategic decision taken, including the creation of new products or services, shall carefully consider its risk exposures, ensuring appropriate balance between the benefit and risk.

   c. To ensure proper implementation of the risk management, the company shall have a work unit or a person in charge for such function.

3. Internal Control

   a. The Board of Directors shall establish and maintain a sound internal control system to safeguard company’s assets and performance and its compliance with laws and regulations;

   b. The internal control function or unit shall assist the Board of Directors in ensuring the attainment of objectives and business sustainability by: (i) evaluating the implementation of the company’s program; (ii) providing recommendations to improve the effectiveness of the risk management process; (iii) evaluating the company’s compliance with company’s regulations, implementation of GCG and the laws and regulations; and (iv) facilitating sound coordination with external auditor;

   c. The internal control unit or the head of an internal control function shall be responsible to the President Director or to the Director in charge for the internal control function. The internal control unit has a functional relation with the Board of Commissioners through the Audit Committee.
4. Public Relations

a. The Board of Directors shall ensure the existence of a sound communication between the company and its stakeholders by empowering the function of a Corporate Secretary;

b. Function of the Corporate Secretary is to ensure: (i) a sound communication between the company and its stakeholders; and (ii) the availability of information that is accessible to stakeholders in accordance with the proper need of stakeholders;

c. Publicly listed companies, state-owned enterprises, province and region-owned companies, companies that raise and manage public funds, companies of which products or services are widely used by public, and companies with extensive influence on environment, shall have a Corporate Secretary whose function may also include investor relations;

5. Social Responsibility

a. In preserving the company’s sustainability, the Board of Directors shall be able to ensure the fulfillment of the company’s social responsibility;

b. The Board of Directors shall have a clear and focused written planning in meeting the company’s social responsibility (Indonesia’s Code of Good Corporate Governance, p17)

2.4.5 Audit Committee

Audit committee is a committee which is work professionally and independently, established by the board of commissioners and its main duty is to help
and strengthen the function of the board of commissionaire in exercising oversight of the financial reporting process, the audit risk management and implementation of corporate governance in companies (Kanaka Purwadireja, IKAI, 2006).

Based on provision launched by The Ministry of Stated Owned Enterprises No.Per-10/MBU/2012, stated that the Board of Commissioner of Stated Owned Enterprises maybe able to establish the Audit Committee, which worked collectivelly and has the function to assist the conduct of Board of Commissionaire duties. Audit committee is independent in performing their duties as well as the reporting process and direct responsibilities to the Board of Commissionaire.

The Ministry of State Owned Enterprises oblige The Board of Commissioners / Board of Trustees to establish the Audit Committee for the State Owned Enterprises which have the business activities in insurance field and financial service, an open Company and Company with the assets worth at least Rp. 1,000,000,000,000, - (one billion rupiah).

As stated in the Decision Letter from The Ministry of State Owned Enterprises No. KEP-103/MBU/2002 dated June4, 2003, the member of audit committee are:

1. The members of the Board of Commissioners / Board of Trustees who act as Chairman of the Audit Committee

2. Two experts who are not state employees concerned.

Requirements to be appointed as a member of the Audit Committee are:

1. Having integrity and knowledge and work experience in the field of sufficient supervision / inspection and other areas as may be necessary so that it can carry out its functions.
2. Do not have interests / personal relationship that may have adverse impacts and conflicts of interest of the state in question, for example:
   a. Having regard to blood relatives and related by marriage to the third degree either by a straight line or lines to the side with state employees or officials concerned;
   b. Having regard to the relevant state partners;

3. Ability to communicate effectively.

In assist The Board of Commissionaire/Board of Trustees, the obligations of Audit Committee are:

1. Assessing the implementation and results of audits conducted by the Internal Audit Unit and the External Auditor that can be prevented implementation and reporting that did not meet standards.

2. Provide recommendations on improvement of the company's management control system and its implementation.

3. Ensuring that there has been a satisfactory review procedures to information released by State Owned Enterprises, including brochures, periodic financial reports, projections / forecasts and other financial information provided to shareholders.

4. Identify issues that require the attention of the Commissioner / Board of Trustees.

5. Carry out other duties assigned by the Commissioner / Board of Trustees all still within the scope of the duties and obligations of Commissioners / Board of Trustees under the provisions of the legislation in force.
The Audit Committee shall submit to the Board of Commissioner / Board of Trustees a periodic report containing the main points of his work by the assignment commissioner referred and Special report contains any findings that are thought to interfere with the activities of the company.

2.4.6 Corporate Secretary

The corporate secretary has an important role in the implementation of GCG, it is because of its function and obligation in increasing the services to the third party. The establishment of the Corporate Secretary for StateOwned Enterprises is set in the Law No.19 Year 2003 Article 20

“By considering the specific nature of each Persero, the Board may appoint a company secretary.”

Furthermore the establishment of Corporate Secretary is explained in the Decision Letter No.117/M-MBU/2002 Article 24. The letter stated that:

1. The Board of Directors may appoint aCompany Secretary who acts as a liaison officer ("liaison officer") and can becommissioned by the Board to administer and store documents SOEs, includingbut not limited to, the Shareholders Register, Special Register and minutes of meetings of Directorsand GMS.

2. Company Secretary must have sufficient academic qualifications to carry out the duties and responsibilities well.

3. The Secretary of the Company can be run by a member of the Board of Directors of SOEs.
4. The Company Secretary is responsible to the Board of Directors of SOEs.

5. The Company Secretary shall ensure that the state comply with the requirements applicable disclosure and shall provide information relating to the job the Board of Directors on a regular basis and to the Commissioner / Board of Trustees when requested by Commissioners / Board of Trustees.

2.3 Implementation Statement of The Code

Each company shall make a statement regarding the conformance of its GCG implementation with the GCG Code in its annual report. The statement shall be supported by a report outlining the structure and work mechanism of the company organs as well as other important information relevant to the implementation of GCG. This statement is necessary to enable the shareholders and other stakeholders, including the regulator, to evaluate the extent of the application of the GCG Code within the company.

A statement regarding the implementation of GCG and its report shall be made a part of the company’s annual report. The statement and its report can be used simultaneously to meet the reporting requirement of the relevant authorities.

In the implementation statement, Company shall mention:

1. The structure and work mechanism of the Board of Commissionaire.

2. The structure and work mechanism of the Board of Director.

3. Company’s vision, mission and values.

5. Policy and amount of remuneration of the Board of Commissioners and the Board of Director.

6. Outcome on the evaluation of GCG implementation as reported in the annual General Meeting of Shareholders.

7. Extraordinary events experienced by a company and those that might have an effect on the performance of the company. (Indonesia’s Code of Corporate Governance, p25)

2.4 General Guidelines on GCG Implementation

Based on the Indonesia’s Code of Corporate Governance, GCG shall be implemented in a systematic and continuous manner. Accordingly, it is necessary to have a practical guidance to be used as a reference by the company in implementing GCG.

In the implementation of GCG, each company shall develop its own GCG manual based on the GCG Code and the Sectoral Code (if any). Such GCG manual shall include at a minimum the following:

1. Company’s vision, mission and values;

2. Position and function of General Meeting of Shareholders, the Board of Commissioners, the Board of Directors, the committees supporting the Board of Commissioners, and the internal control system;

3. Policy to ensure the effective functioning of each company organ;

4. Policy to ensure effective accountability, effective internal control and proper financial reporting;
5. Code of conduct based on company’s values and business ethics;

6. Instruments for disclosure of information for shareholders and other stakeholders;

7. Policy on improvement various the company regulations necessary for implementation of GCG principles.

For the effective implementation of GCG, all parties within the company are required to participate alongside the process. For this purpose, the following phases shall be required:

1. Building the understanding, awareness and commitment of all members of the Board of Commissioners and the Board of Directors, controlling shareholders, and all employees to implement GCG;

2. Reviewing the company’s current state in GCG implementation and the required corrective measures;

3. Developing GCG program and implementation guidance within the company;

4. To build a sense of belonging of all parties within the company, and an understanding of the implementation of the GCG Code in daily activities;

5. Conducting self-assessment or using the service of an independent external party to ensure continuous implementation of GCG. The outcome of such assessment shall be disclosed in the annual report and reported in the Annual General Meeting of Shareholders. (Indonesia’s Code of Corporate Governance, p27).
2.5 The Measurement of GCG Implementation

The regulation concerning State Owned Enterprises issued by The Ministry of State Owned Enterprises through the decision letter No.117/M-MBU/2002 and being renewed in every year. Concerning the dynamic and competitive development of business world and to increase the implementation of GCG, The Ministry of State Owned Enterprises had made several adjustments regarding the decision letter No.117/M-MBU/2002. In 2011 The Ministry of State Owned Enterprises has been launched The Ministerial Decree No. Per-01/MBU/2011 about regulation concerning the implementation of GCG in State Owned Enterprises.

The Ministerial Decree No. Per-01/MBU/2011 consist of 47 articles covering the regeneration of laws in the Limited Liability Company and State Owned Enterprises. One of the new important points is The Measurement of GCG Implementation, which is stated in article 44. There are 8 points in the articles 44 regulate the measurement of GCG implementation, as follows:

1. State Owned Enterprises are required to measure the implementation of good corporate governance in the form of:
   a. Assessment is to identify the GCG program in State Owned Enterprises through measurement of the implementation and application of GCG implemented in State Owned Enterprises periodically every 2 (two) years;
   b. Review is a program to describe the follow up and the implementation of GCG in State Owned Enterprises conduct in the following year after the assessment as refer in letter a which includes evaluation of the assessment and follow-up recommendations for the improvement.
2. Before conduct the assessment, as refer in paragraph (1) letter a, it have to be preceded with the GCG socialization on the relevant State Owned Enterprises.
3. The assessment is conducted by the independent assessors appointed by the Board of Commissioners or Board of Supervisors through the process in accordance with the procurement of goods and services provisions in each State Owned Enterprises, and if necessary, it is allowed to ask for help from the Directors for the appointment process.

4. If it is deemed more effective and efficient, the assessment can be done using Government services which are competent in the field of corporate governance, the appointment made by the Board of Directors through the direct appointment.

5. The evaluation can be done with self-assessment, which the execution of the evaluation can be discussed with or ask for assistance from an independent appraiser or use the services of Government Agencies which are competent in the field of corporate governance.

6. Implementation of the assessment and evaluation are done by using the indicators or parameters determined by the Secretary of the Ministry of State Owned Enterprises.

7. In terms of the evaluation was conducted with the assistance of an independent appraiser or using the services of Government Agencies which are competent in the field of corporate governance, the independent assessor or Government Agencies are not being able to evaluate the State Owned Enterprises in the next year.

8. Before conducting the assessment, the assessor, as described in paragraph (3) and paragraph (4), signs a work agreement with the relevant Directors of State Owned Enterprises which contain the rights and obligations of each party, including the duration of work and cost of implementation.

9. The results of the assessment and evaluation are reported to the Annual General Meeting and the Ministry of State Owned Enterprises along with submission of Annual Report.
CHAPTER III

METHOD OF DATA PROCESSING AND COMPANY’S EXISTING CONDITION

3.1 Research Method

The writer uses qualitative method specification case study method. Refers to Prof. Dr. Samie Tayie (2005), A case study is defined as an empirical inquiry that uses multiple sources of evidence a contemporary phenomenon within its real-life context in which the boundaries between the phenomenon and its context are not clearly evident.

There are four essential characteristics of case study research:

- **Particularistic.** The case study focuses on a particular situation, event, program, or phenomenon, making it a good method for studying practical real-life problems.

- **Descriptive.** The final result of a case study is a detailed description of the topic under study.

- **Heuristic.** A case study helps people to understand what’s being studied. New interpretations, new perspectives, new meaning, and fresh insights are all goals of a case study.

- **Inductive.** Most case studies depend on inductive reasoning. Principles and generalizations emerge from an examination of the data.

Case Study is a method to examine of a situation which is referred as a case using systematic ways in making observations, collecting data, analyzing information, and reporting the results. The research tries to represent subjects from their perspectives so
the reader can see their views. The benefit of case study method are increased opportunities to develop empirically supported new ideas and theories, for in-depth and longitudinal explorations of leadership phenomena and for more relevance and interest practitioners. As a result, it will obtain a deep understanding of why things happen and can be a basis for further research.

3.1.1 Research Developing Step

- Define Research Topic
- Define Research Objective
- Primary Data
  - Direct Observation
- Data Being Used
  - Data Collection
- Secondary Data
  - Literature Study
- Data Analysis
- Conclusion & Recommendation

Figure 3 - 1 Research Developing Step

3.1.1.1 Research Topic

The very first step in developing the thesis is by define the research topic. When decide a topic, there are a few things needs to be done:

- Brainstorm for ideas
- Choose a topic which being able to be read and understand the literature
- Research and read about topic
- Formulate problem identification
3.1.1.2 Research Objective

The next step is to define research objective. The formulation of objectives will direct the research to be focus of the study and to avoid the collection of data which are not strictly necessary for understanding and solving the problem you have identified. Properly formulated, specific objectives will facilitate the development of the research methodology and will help to orient the collection, analysis, interpretation and utilization of data.

3.1.1.3 Data Being Used

The sources of data which are being used for data-collection of this thesis; the primary and secondary data that support each other.

- The primary data is derived directly from the main source, in this case, the corporation that is being analyzed. This type of data is obtained from the employees of the corporation and direct observations by the author.

- The secondary data is obtained from secondary or other sources, such as textbooks, literatures, published papers/journals, and Internet. This type of data is applied in terms to support the analysis with a theoretical foundation.

3.1.1.4 Data Collection

The research methods used by the writer are:

- Literature research (theoretical foundation, collecting essential data, printed materials, textbooks, online journals, published papers).

- Direct Observation is done to collect the data by seeing, hearing, and feeling to assess certain activities in the company. From this procedure, writer knows the implementation of GCG in the company and knows the role of audit committee. From observation, the writer knew the meeting schedule and activities done by
the audit committee in a period. In this procedure, writer is done two activities, such as, inquiry with the employees and documentation of the document related to the thesis.

1. Documentation is the process of tracking down evidences either internal or external evidences of transactions or activities being researched. This procedure is functioned to verify client’s records activities. Documentation must support the information that collected from the interview with the management. In internal documentation, writer gets the document from the company being researched. From this procedure, writer collected data of meeting schedule

2. In inquiry, writer asked for the information that was obtained through oral interviews and discussion with the management of the company. Writer interviews the employees directly one by one. Before question and answer section, writer already prepared the questions first. Writer interviewed all parties that are related, directly or indirectly, to the company activities related to audit committe and gcg. They are Board of Commisioner, Board of Director, Audit Committe, Internal Auditor and Corporate Secretary. Interviewees gave information about company profile, job description, authorization in the company, and implementation of gcg.
3.1.1.5 Data Analysis

After having the data collected, the next step is to analyse role of audit committee in the implementation of GCG in the company. The Company is comply with GCG when all of the Company organ implementing the principle of the GCG. The Board of Commissioners shall function and be responsible collectively for overseeing and providing advices to the Board of Directors and ensuring that the Company implements the GCG. As the representative of Board of Commisioner, Audit Committee perform its role in exercising oversight of the financial reporting process and implementation of corporate governance in companies. By descriing the activity of the Audit Committe during two years period and compare to the regulation of GCG which exist in Indonesia, will show the importantance of Audit Committe role in the GCG implementation. The final phase of data analysis is to evaluate the effectiveness of audit committee in the implementation of GCG and GCG as the Company need.

3.1.1.6 Conclusion and Recomendation

Conclusions are taken based on the analysis. The conclusions are made to answer the problem statement and to fulfil the thesis objective that has been stated in Introduction, Chapter I. Recommendation is given for both the company and readers for furthers study and the related topics.
3.2 Company Existing Condition

3.2.1 Background of the Company

3.2.1.1 History of the Company

PT Perkebunana Nusantara VI (Persero) was established on February 14, 1996. It was legalized by the Notary Certificate of Harun Kamil, S.H. No. 39 dated March 11, 1996, by this time the head quarter is in Padang. The company later on moved its head office to Jambi and amended its legal framework under the Notary Certificate of Sri Rahayu HadiPrasetyo, S.H. No. 19 Tahun 2002 dated September 30, 2002. Today PTPN VI head quarter is in Jl. Lingkar Barat kenali Asam, Jambi 36126 – Indonesia with two representative offices in Jakarta, Tebet Utara III No. 9Jakarta Selatan and Padang, H. Agus Salim 15Padang – 25121.

The company assets comes from the result of the merge of development projects assets of PT Perkebunan (PTP) III, PTP IV, PTPVI, and PTP VIII located in West Sumatra and Jambi region. PTPN VI (Persero) was established and developed to take part in implementing and supporting the Government policies in economic fields through agricultural sector. Currently PTPN VI has two subsidiaries, PT Bukit Kaustar and PT Alam Lestari Nusantara. PT Bukit Kaustar is palm oil plantation company which is located in Jambi. PT Alam Lestari is subsidiary which established by PTPN VI, PTPN VII, PTPN XII and PT Rajawali Nusantara Indonesia with rubber as its main commodity.

Total asset PTPN VI up until 2011 are about Rp1,712,165,000,000. The consolidated nett income that reached Rp.181,6 billions in 2011, far exceeding the 2010 nett income (12.53%) which was only Rp.161,3 billions. The “Healthy” (AAA) predicate of the company performance in 2011 gaining the score of 97.00 out of the 0-100 scale.
3.2.1.2 Vision and Mission of the Company

The vision of the company is “Become the leading smallholder based agribusiness company in Indonesia”.

The missions of the company are:

- Managing the business of oil palm, tea plantations and rubber industrial plantation forests to produce the desired quality products by the market professionally.
- Develop business partnership principles as the basis in the plantation management to achieve superior performance.
- To build a harmonious and continuous partnership.
- Position the employee as the main pillars of the organization and business partners and other stakeholders to support the company in creating value.
- Follow the principle of good governance and the noble values of the company in behavior and in managing the company’s business.

3.2.1.3 The Company’s Operation

PT Perkebunan Nusantara VI is an agro-industry company carrying on the cultivation and corps processing, such as oil palm, rubber and tea. Its business facilities are located in two different provinces, Jambi and West Sumatra. PTPN VI have 14 business units and total area business is 101.577 Ha.
<table>
<thead>
<tr>
<th>District</th>
<th>No</th>
<th>Business Units</th>
<th>Commodities</th>
<th>Areal &amp; Capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td>WEST SUMATERA</td>
<td>1</td>
<td>Pangkalan Limapuluh</td>
<td>Palm Oil Plant Nucleus</td>
<td>1,678.56 Ha</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Kota (PLK)</td>
<td>Rubber Plant Plasma</td>
<td>2,922.00 Ha</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Crumb Rubber Factory</td>
<td>20 Ton KK/day</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>Ophir</td>
<td>Palm Oil Plant</td>
<td>3,549.16 Ha</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Palm Oil Plant Nucleus</td>
<td>4,800.00 Ha</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Palm Oil Mill</td>
<td>50 Ton FFB/day</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>Danau Kembar</td>
<td>Tea Plant Nucleus</td>
<td>669.53 Ha</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Tea Plant Plasma</td>
<td>343.64 Ha</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Tea Factory</td>
<td>35 Ton wet leaf/day</td>
</tr>
<tr>
<td></td>
<td>4</td>
<td>Solok Selatan</td>
<td>Palm Oil Plant</td>
<td>4,168.00 Ha</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Rubber Plant Plasma</td>
<td>3,757.00 Ha</td>
</tr>
<tr>
<td>JAMBI</td>
<td>5</td>
<td>Batang Hari</td>
<td>Palm Oil Plant</td>
<td>2,185.06 Ha</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Rubber Plant Plasma</td>
<td>5,205.06 Ha</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Crumb Rubber Factory</td>
<td>40 ton KK/day</td>
</tr>
<tr>
<td></td>
<td>6</td>
<td>PSB</td>
<td>Small Holders Palm Oil Plant</td>
<td>22,000.00 Ha</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Palm Oil Mill</td>
<td>150 ton FFB/hour</td>
</tr>
<tr>
<td></td>
<td>7</td>
<td>BUN/PT Inti</td>
<td>Palm Oil Plant</td>
<td>4,475.08 Ha</td>
</tr>
<tr>
<td></td>
<td>8</td>
<td>Tanjung Lebar</td>
<td>Palm Oil Plant</td>
<td>1,911.10 Ha</td>
</tr>
<tr>
<td></td>
<td>9</td>
<td>Durian Luncuk</td>
<td>Palm Oil Plant</td>
<td>4,523.99 Ha</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Rubber Plant Plasma</td>
<td>8,000.00 Ha</td>
</tr>
<tr>
<td></td>
<td>10</td>
<td>Kayu Aro</td>
<td>Tea Plant</td>
<td>3,014.60 Ha</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Tea Factory</td>
<td>90 ton wet leaf/day</td>
</tr>
<tr>
<td></td>
<td>11</td>
<td>Rimba Satu</td>
<td>Palm Oil Plant</td>
<td>3,587.55 Ha</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Rubber Plant Plasma</td>
<td>15,994.00 Ha</td>
</tr>
<tr>
<td></td>
<td>12</td>
<td>Rimba Dua</td>
<td>Palm Oil Plant</td>
<td>3,962.45 Ha</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Palm Oil Mill</td>
<td>30 ton FFB/day</td>
</tr>
<tr>
<td></td>
<td>13</td>
<td>BCR</td>
<td>Palm Oil Development Project, Sarolangun</td>
<td>3,000.00 Ha</td>
</tr>
<tr>
<td></td>
<td>14</td>
<td>PKS Aur Gading</td>
<td>Palm Oil Plant</td>
<td>3,730.00 Ha</td>
</tr>
</tbody>
</table>

Table 3 - 1 Business Unit in PTPN VI
The composition of the business units in PTPN VI are 95% in oil palm and 5% in tea. In 2012 the areal statement is 34,825.17 Ha covering palm oil and tea plantation. The plantation areas are divided into two, the nucleus plants area and plasma plants area. The comparison of self-owned oil palm plantation area and plasma area are 56% - 44%. PTPN VI has the first of the largest area for plasma plantation from all of PTPN in Indonesia. The products from palm oil plantation are Fresh Fruit Bunch, Palm Oil and Palm Kernel while the products from tea plantation are Black Tea and Package Tea. During 2012 the production from palm oil mills is about 479,351,907 kg while the production from the tea factory is about 31,860,442 kg. PTPN VI has been directly marketing its packaging tea to the consumer under Kajoe Aro brand, while the black tea is exported to the United Kingdom and India. In term of sales value, during 2011 PTPN VI sales value of all commodities amounted to Rp. 2.299 Trillion, which is increase by 12.67% compare to the year 2010 which amounted to Rp. 2.041 Trillion.

In 2012 the total numbers of PTPN VI employees are 6,479 people. PTPN employees based position comprise of, as follow:

<table>
<thead>
<tr>
<th>Description</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board of Commissioner</td>
<td>5</td>
</tr>
<tr>
<td>Board of Director</td>
<td>5</td>
</tr>
<tr>
<td>Staff of the Commissioner and Director</td>
<td>7</td>
</tr>
<tr>
<td>Employees, III-IV</td>
<td>249</td>
</tr>
<tr>
<td>Employees, I-II</td>
<td>6,195</td>
</tr>
<tr>
<td>Trainee</td>
<td>2</td>
</tr>
<tr>
<td>Honour</td>
<td>16</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>6,479</strong></td>
</tr>
</tbody>
</table>

Table 3 - 2 Total of Employess in PTPN VI Based on Position
Organizational cultures developed by the company are the culture of respect, teamwork, togetherness, openness and transformational leadership which makes all human resources become professionals with competent, caring, hard work, commitment, enthusiasm and responsibility. In March 27, 2012 the Board of Director of PTPN VI is launched the Decision Letter No. SK-26/06.D1/2012 concerning The Organization Structure in PTPN VI.
Jobs descriptions for several positions related to the title of this thesis on PT Perkebunan Nusantara VI are as follows:

1. Board of Commissioners

The job descriptions of the Board of Commissioners of PTPN VI are as follow:

- Investigating, reviewing, and signing the annual report prepared by the Board of Directors.
- Giving advises to GMS related to annual RKAP proposed by the Directors.
- Following the company's development and giving advises to GMS regarding every important issue related to the corporate management.
- Making a quick report to GMS if there is any declining tendency in the company performance.
- Performing others obligations related to supervision and advisior function in a long with law and provison, articles of association and/or the decision of GMS.

2. Audit Committee

The job descriptions of the Audit Committee of PTPN VI are as follow:

- Assisting the Board of Commissioner to ensure the effectivity of internal control system and the effectivity of the duty perform by external and internal auditor.
- Appraising the activity perform and the audit result that carry out by internal control unit as well as external auditor.
- Giving recommendation about perfecting the perform of Management Control System.
• Identifying the matters that need attention from Board of Commissioner as well as the Board of Commissioner other duties.

• Reporting the result of his duty execution to the Board of Commissioner.

3. Board of Director

The job descriptions of the Board of Directors of PTPN VI are as follow:

• Executing the managerial tasks for attaining the company goals and interests and taking the role as a leader.

• Maintaining and managing the company’s wealth.

• Taking a full responsibility organizationally and personally and having a good faith in doing every task he has for the company’s interests to attain its goals and objectives.

• Representing the company both inside and outside the court and doing good acts and attitude in managing the company and its wealth.

• Assuring that the State-owned Enterprises has accomplished their social responsibilities and taking into account the interests of every stakeholders based on the existing regulations.

• Determining the direction and development of PTPNVI by composing Long-term Plans (RJP) for 5-year period and Working Plan and Budgetary Report (RKAP) as guidelines/annual framework.

• Hiring and firing the employees as well as determining labor policies regarding the existing regulations. Determining and composing an accountancy system according to the Financial Accountancy Standard based on internal monitoring principles, that consist of managing, registering, maintaining and monitoring functions.
CHAPTER IV

ANALYSIS AND EVALUATION

4.1 Research Objective and Limitation

The objective and limitation in this study are the role of Audit Committee in the Implementation of GCG in PTPN VI. The writer performs general analysis of the Audit Committee activity in carrying out its obligation to overview the GCG implementation in the PTPN VI during two years.

During one year period the Audit Committee performs its obligation as an extension of the Board of Commissioner in reviewing Company’s activity. The obligation of Audit Committee is to assure the implementation of GCG in the Company running well. To examine the effectiveness of Audit Committee role in the implementation of the GCG principles in PTPN VI and to know the effectiveness of GCG as the asset protector are the objectives of this thesis. The transparency, accountability, responsibility, independency and fairness are five categories will be used in describing the implementation of GCG in PTPN VI.

After done the observation, performing the data collection and interview the writer find some best practices. Best practices are reflecting the role of Audit Committee in the implementation of GCG in the company. While findings are explaining the lack of the role of Audit Committee in the implementation of GCG in the company. For best practices, the company needs to maintain or if possible improve it. Meanwhile, for findings, the company has to take action by creating an internal control or making any correction.
4.2 Best Practices

4.2.1 Audit Committee

4.2.1.1 Establishment of Audit Committee

Audit Committee was established in PTPN VI based on the regulation of The Ministry of State Owned Enterprises No: PER-05/MBU/2006 regarding the establishment of the Audit Committee in every State Owned Enterpirses. As the good State Owned Enterprises, PTPN VI is obliged to abide the Law No. 19 year 2003 Article 70 and the Decision of The Ministry of Stated Owned Enterprises No.KEP-103/MBU/2002 in article 2, which are regulate the establishment of the Audit Committe. Audit Committee in PTPN VI was establish by the Decision Letter of The Board of Commissioner PT PerkebunanNusantara VI No. KEP-001/DK.VI/XI/2008 dated November 15, 2008 and amanded by decree No. KEP-001/DK.VI/XI/2010 dated November 16, 2010. The members of Audit Committee in PTPN VI are as follow:
<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Brief History</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mantaris Siagian</td>
<td>Chairman</td>
<td>He acts as the member of Board of Commissioner in PTPN VI since September 24, 2008 and became the Chairman of the Audit Committee since November 15, 2008. He completed his master education in International Business and Banking in the University of Birmingham.</td>
</tr>
<tr>
<td>Kanaka Puradireja</td>
<td>Member</td>
<td>He acts as a member of audit committee of PTPN VI since 15 November 2008. He is founder and ex senior partner of Public Accountant Puradiredja Suhartono and chairman of KPMG Indonesia. He has a lot of experiences as Audit Committee in some enterprise, such as PT InternationalNikel Indonesia Tbk and PT Indocement Tbk.</td>
</tr>
<tr>
<td>Uus Subhi Sidiek</td>
<td>Member</td>
<td>He acts as a member of audit committee of PT Perkebunan Nusantara VI (Persero) since 15 November 2008. As a professional in plantation business, he had various experiences and positions, such as Executive Director of PT RSA, Head of GAL in PP Sawit Mas Group, and President Director of PT Sumbertama Nusa Pertiwi.</td>
</tr>
</tbody>
</table>

Table 4 - 1 Audit Committee Structure in PTPN VI
4.2.1.2 Duty and Responsibility of Audit Committee

The duty of Audit Committee of PTPN VI are as follow:

1. Assisting the Board of Commissioner to ensure the effectivity of internal control system and the effectivity of the duty perform by external and internal auditor;
2. Appraising the activity perform and the audit result that carry out by internal control unit as well as external auditor;
3. Giving recommendation about perfecting the perform of Management Control System;
4. Identifying the matters that need attention from Board of Commissioner as well as the Board of Commissioner other duties;
5. Reporting the result of his duty execution to the Board of Commissioner.

Besides perform the main duty, Audit Committee of PTPN VI also perform other duties of Commissioner and Supervisor, such as:

1. Making plan for annual control activity which is approved by the Commissioner of PTPN VI (Persero).
2. Estimating the effectivity of Internal Control Unit Function execution.
3. Evaluating the effectivity of audit perform by external auditor including the analysis of independency and external auditor objectivity.
4. Evaluating the internal control effectivity.
5. Evaluating the quality of financial information that made by the company, especially concerning the projections of financial statement and other financial informations.
6. Evaluating the company obedience level toward the relevant laws.
7. Carrying out the duties that given by the Commissioner.

In performing their duty, Audit Committee is responsible to the Board of Commissioners. Audit Committee is required to provide regular report to the Board of Commissioners at least once during three months in form of:

1. Periodic report which contain the main points of the audit committee work;
2. Special report which contain the findings that are thought to interfere the Company's activities.

### 4.2.1.3 Meeting Frequency and Attendance Rate of Audit Committee

During 2011 and 2010 the Audit Committee of PTPN VI were held several meetings with the following attendance rate:

<table>
<thead>
<tr>
<th>Name</th>
<th>Attendance Rate in 2010</th>
<th>Attendance Rate in 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Mantaris Siagian</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>2. Kanaka Puradireja</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>3. Uus Subhi Sidiek</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

**Table 4 - 2 Audit Committee Meeting Attendance Rate in PTPN VI**

The Audit Committee meeting schedule are as follow:

<table>
<thead>
<tr>
<th>Meeting</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Audit Committee Meeting in Jakarta</td>
<td>6</td>
<td>9</td>
</tr>
<tr>
<td>2. Audit Committee Meeting in Jambi</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>3. Audit Committee Meeting with Board of</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Commissioners</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Table 4 - 3 Audit Committee Meeting Schedule in PTPN VI**
4.2.1.4 Audit Committee Activities

The activities of Audit Committee during one year periods are includes:

<table>
<thead>
<tr>
<th>No.</th>
<th>Activities 2010</th>
<th>Activities 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Provided input and advice on the findings of the SPI.</td>
<td>Giving advise and feedback on SPI findings.</td>
</tr>
<tr>
<td>2</td>
<td>Provided input and advice on the research paper the results of the Committee Audit of management reports and financial statements company’s fiscal year 2009.</td>
<td>Giving advise and feedback on the Audit Committee reviews upon management and financial reports of 2010.</td>
</tr>
<tr>
<td>3</td>
<td>Provided input and advice on the research paper reports monthly and quarterly management financial year 2010.</td>
<td>Giving advise and feedback on monthly and quarterly management reports of 2011.</td>
</tr>
<tr>
<td>4</td>
<td>Input and advice on the SPI and the auditor’s work plan External (KAP), which will audit the financial statements company’s financial year 2010.</td>
<td>Giving advise and feedback on SPI working plans and external auditors (KAP) who are doing an audit on financial reports of 2011.</td>
</tr>
</tbody>
</table>

Table 4 - 4 Audit Committee Activities in PTPN VI
4.2.2 Implementation Good Corporate Governance in PTPN VI

In the implementing of GCG principles by all of the Company’s organ, PTPN VI has set a code of conduct as the best practice of the implementation of GCG. As a State Owned Enterprises PTPN VI is require to abide the Decision Letter of The Ministry of State Owned Enterprises No. Per-01/MBU/2011 regarding the GCG Implementation.

For PTPN VI, the aim of implementing GCG in Company operations are to maximize the Company value and to create added value for all stakeholders. In detail the objective of the implementation of GCG are as follow:

1. Maximizing corporate value by increasing the principles of transparency, accountability, responsibility and fairness that the company has strong competitiveness both nationally and internationally.
2. Encouraging the management of the company in a professional, transparent and efficient, and empowering management functions and increase the independence of the company.
3. Encouraging the management to make decisions and perform actions based on high moral values and compliance with laws and regulations in force as well as the awareness of corporate social responsibility towards stakeholders and the environment around the company.
4. Increasing the company's contribution to the national economy.
5. Improving the investment climate.

In this part, the writer is explain the implementation of GCG in PTPN VI based on the five principles GCG. The implementation are as follow:
4.2.2.1 Transparancy

a. Transparancy of Financial Statement

Transparancy is how PTPN VI present its Financial Report which is contain of material and relevant information of the Company, to the stakeholders. The objective of transparancy is in order to make all of the intrest parties are being able to measure everything related to the Company.

The Board of Director present the audited Financial Statement and the Annual Report to the Board of Commissioners and the Shareholders in General Meeting Shareholders. The Audit Committee evaluates the Financial Statement which is presented to the Board of Commissioners and the Shareholders. This action is aim to assure whether the Financial Statement is informative enough and to assure the auditor opinion to the financial statement is compatible with Accounting Standard in Indonesia. The Financial statement of PTPN VI has been audited by Independent Auditor from Ernst and Young Public Accountant.

b. Transparancy of The Information Related to the Company

Beside the Financial Statement and the Annual Report, the Board of Director with the management also produce quarterly report. Quarterly report is contain of all of the informations related to the company which are reported by Internal Auditor and Finance Department.

The Audit Committee will call the Internal Auditor and Finance Department to held a meeting in aim to report every information related financial and interal control in every three months. The result of this meeting will be the material which need to be evaluate and analyze by the Audit Committee. After evaluate and analyze the information, the Audit Committe will make a summary and recomendation related to the issue and report it to the Board of Commisioners, later Board of Commisioners will present the quarterly report to the Shareholders. The Audit Committe also responsible
for follow up the recomendation has given to the Internal Control and management related to the current issue.

In this principle, PTPN VI has perform the application of transparency very well.

4.2.2.2 Accountability

Accountability is when PTPN VI clearly stated the function, structure and responsibilityto all business practitioners inside PTPN VI. By performing this principle, PTPN VI is expected all of their Company’s organto have clear explanation regarding their own obligation, thus they are being able to give their resposibility to the parties who demand it. The objective of accountability is to monitor, critisize, evaluate and evidence trial for every decision making easy to be done.

a. Company Organ Function, Structure and Responsibility

PTPN VI has Organizational Stucture. Not only in a big picture as the Company but also in every division. PTPN VI has four big departments and each departement has divided into specific division. The Board of Director has amend the organization stucture every year by launch the decision letter. Every departement and every division has their own organization stucture and job description in detail, by then employees in PTPN VI need to done their job based on the job description.

Accountability for Board of Commissioners, Board of Director, Audit Committee and Internal Auditor are shown by the meeting frequency. As the result of inquiry with Audit Committee, Company Secretary and Internal Auditor, in aim to have an effective Internal Control inside the company, the Internal Auditor held a meeting for once in a month and held an inspection twice in a year. The Board of Director held a meeting once in a month to keep the information update from every department. The Board of Commissioners held a meeting once in a month. Board of Commissioners and
Board of Director held a meeting three times in quarter. The Audit Committe held a meeting with Internal Control and Finance Department four times in a year. Audit Committe also held a meeting with Board of Commissioners four times in a year.

b. Code of Conduct

In performing their accountability, every employee in PTPN VI have to reflect their work ethic to the Code of Conduct. Code of Conduct in PTPN VI has been launched by the Board of Director with the Decision Letter No. SK-06/DIR/2010. Management and all of PTPN VI employees have to obey this framework in accordance with the duties and function of each department. The Code of Conduct need to be implemented with consistency and high concern of business ethic and culture of PTPN VI.

c. Assessment Work

In PTPN VI, there is an assessment work, called Indikator Penilaian Kinerja (KPI) for each working unit. The Board of Directors sets the KPI for each departments, they are also assess the performance of each unit on a regular basis, formulate weaknesses. The Board of Commissioners sets the KPI for the Audit Committee. Both Board of Commissioners and Board of Director set the target of Key Performance Indicator, the target achievement will be discussed together and the recomendation will be formulated if necessary. The General Meeting of Shareholder will assess the performance of Board of Commissioners and Board of Director based on the target achievement of the Key Performance Indicator.

In this principle, PTPN VI has perform the application of accountability very well.
4.2.2.3 Responsibility

Responsibility is defined as a Company obedience to Law and Provision issued by the Government and the Ministry of State Owned Enterprises. In this principle, the Board of Commissioners, Board of Director and all management have to run the Company based on the policy being apply, while the policy is set based on the Law and Provision in Indonesia

a. Responsible to The Law and Provisions

In this principle PTPN VI has obey the Law and Provision in Indonesia. Because PTPN VI is obey the UU No. 40 Year 2007 concerning Limited Liability Company, UU No. 19 Year 2003 concerning State Owned Enterprises, Decision Letter of The Ministry of State Owned Enterprises No: KEP-103/MBU/2002 concerning the Establishment of Committe Audit and No: KEP-117/M-MBU/2002 concerning Good Corporate Governance Implementation.

b. Responsible to the Employee

PTPN VI has a comitment to their employee by giving an assessment work, reward, the salary payment and bonus. To increase the employee competency, Human Resource Department also maintain in house or outside training for every employee in every division. PTPN VI also put the Healthy, Security and Safety of work as their concern. Every information concerning the Company policy has been deliver transparently to every employee.

c. Corporate Social Responsibility

To gain respect from society PTPN VI has maintain several programs related to the Corporate Social Responsibility, as follow:

1. Plasma Farmer Counselling Program

PTPN VI (Persero) is a company established under the partnership concept due to the majority part of its land (44%) is plasma plantation. The cooperation pattern
with the society is the People Nuclues Plantation Programme (PIR) in the form of
counselling and financial aid, technique culture and plants cultivation and
entrepreneurship.

2. One of PTPN VI commitment is to increase the prosperity of surrounding society
through empowering and developing the Small and Medium Enterprises (UKM).
The programme of developing UKM are includes managerial and
production training, financial aid in marketing and capital through soft
credits scheme. Until 2011, the company has allocated the loan fund for
this Partnership Programme as much as 13,16 billion. This fund has been distributed
to several business sectors, such as Industrial, Commerce, Agriculture, Animal
Husbandry, Plantation, Fishery, Service sector and other sectors.

3. PTPN VI is active in Environment Construction Programme, this programme is the
part of the company effort in counselling and distributing the bequest fund to the
community surrounding the business unit. In 2011, PTPN VI has allocated about
Rp. 2,6 billion to funding the Environment Construction in Jambi and West
Sumatra. The realization of Environment Construction Programme in 2011 are:
a. Providing clean water infrastructure in the area of plasma farmers in Sungai
   Bahar.

b. Providing assistance in improving the health of cattles in postdisaster area in
   West Sumatera, by providing the seedlings and building the supportive
   infrastructures.

4. In 2011, the fund allocated to education was 902,95 million or 34% from the total
fund. The programmes included giving some grants/scholarship to elementary to
senior high school students, improving the teachers’ qualities through trainings and
counsellings on the subjects of sports and culture. The business core of the
company working on plantation sector causes the company operational have an
intensive-labor characteristic. This condition forms specific characteristic of plantation society. By implementing Corporate Responsibility to social environment, PTPN VI also reached surrounding society through the establishment of media and activities to develop the characteristic of the society, such as Indonesia Centre of Learning (ICL), established in 2009. The ICL Programme is aimed to address:

a. English Literacy Program for Children (ELPC),
b. The Juvenile Characteristic Empowerment Programme (PPKR) for 13 – 16 year old teenagers,
c. Training of Capacity building for youngsters aged 17 – 22 years old.

In this principle, PTPN VI has perform the application of Responsibility very well. PTPN VI has performed its obedience in implementing Law and Provision, responsible to its employee and the society.

4.2.2.4 Independency

Independency is describe as the condition of a Company which being able to professionally managed in achieving its objectives without conflict of interest and influence of pressure from any party that is not in accordance with the Law and Provision and the practice of a Good Corporate Citizen. The objective of the principle application is to prevent and reduce the dependence on other parties to gain a profitable business opportunity, therefore the company can compete independently.

a. Conflict of Interest
To maintain independence and to avoid conflict of interest, the Commissioner and the Board of Directors on all positions and levels and or are in a position that could lead to a conflict of interest, is required to include:

1. Performing the obligation in a professional manner with full responsibility and uphold integrity, honesty, and a spirit of togetherness.

2. Every employee must not be in a positions of other companies which have a business relationship and not be in the Company group.

3. Every employee do not allow participate in the ownership and interests in partner companies or suppliers.

4. Every employee do not allow to use corporate assets for the benefit of the company, do not have an ownership in it as well as positions in government agencies.

5. Every employee do not allow to receive and or give a gift and or benefits of any kind related to the position in the company.

6. Every employee do not allow to use position to give preferential treatment to the families, relatives, groups and or others at the expense of the company.

7. Every employee do not allow to give preferential treatment to customers, suppliers, business partners, governments or other parties beyond the policy set by the company.

8. Disclose and report any interests and or activities outside of the company to the superior at work in order to obtain a permit.

9. Reporting to the head of the company when it has a family relationship with a partner, competitor or supplier PTPN VI and willing to not be involved in the decision making process in a business relationship with them.
b. Confidentiality of Information

Every employee shall maintain any information which they are responsible with great caution and maintain the confidentiality of information and delivery can only be done by a designated official. Company information privacy policy structured to:

1. Ensure that information required to be disclosed, has been fairly presented to the parties concerned by the official who has the authority.
2. Ensure the security of confidential company information to stakeholders beyond its authority either during active labor and after it stopped working.
3. Keeping corporate information to be used in accordance with its intended purpose and not used for personal gain or a particular party.

Every employee of PTPN VI have to utilize the data and company information to enhance the company's value added and decision-making by:

1. Using adequate data security systems.
2. Provide information that is relevant and proportionate to the stakeholders taking into account the interests of the company.
3. Avoid dissemination of data and information to others who are not interested either during work or after it stopped working.
4. Submit all data related to the company at the time it stopped working.
5. Maintain confidentiality of information about consumers.

For employees who are not being able to obey the rule and regulation related to the conflict of interest or protect the confidentiality in PTPN VI will be punished. The punishment for the employees will be set by the Board of Director while the punishment for the Board of Commissioners and the Board of Director will be set by the Shareholder. In this principle, PTPN VI has perform the application of accountability very well.
4.2.2.5 Fairness

Fairness describe as the justice and equality in meeting stakeholders' rights arising under the agreement and the Law as well as company policy. Board of Commissioners, Board of Directors and its management in the decision making should pay attention to the principles of justice for all the parties concerned or related either directly or indirectly.

PTPN VI is oblige to provide fair information to their stakeholders, not only for the employee but also for the creditor, customer and supplier. To their employee, PTPN VI is require to deliver the information about Company policy, the result of assessment work and anything related to the salary, bonus, award or punishment. To their creditor, PTPN VI is commited to disclose the financial condition transparently in order to obtain a loan, this action is to gives the lender confidence in measuring the ability of loan repayment. To their customer, PTPN VI is oblige to provide high quality services, fair, true and honest about the condition of the product safety to costumers. To their supplier, PTPN VI is commit to respect the right of the supplier and respect the work agreement between them. In this principle, PTPN VI has perform the application of fairness very well by treating all of its stakeholders equal.

4.2.2.6 Implementation Statement of the GCG Code

Based on the Indonesia’s Code of Corporate Governance, each company shall make a statement regarding the conformance of its GCG implementation with the GCG Code in its annual report. A statement regarding the implementation of GCG and its report shall be made a part of the company’s annual report.
PTPN VI has attached the implementation statement of the GCG code on its annual report. The statement is supported by a report outlining the structure and work mechanism of the Board of Commissioners and the Board of Directors, Company’s vision and mission, Policy and amount of remuneration of the Board of Commissioners and the Board of Director and Outcome on the evaluation of GCG implementation as reported in the annual General Meeting of Shareholders.

4.2.2.7 General Guidelines on GCG Implementation

Based on the Indonesia’s Code of Corporate Governance, GCG shall be implemented in a systematic and continuous manner. It is necessary to have a practical guidance to be used as a reference by the company in implementing GCG.

PTPN VI has developed its own GCG manual based on the GCG Code. The GCG manual of PTPN VI is state about Company’s vision, mission and values, Position and function of General Meeting of Shareholders, the Board of Commissioners, the Board of Directors, the committees supporting the Board of Commissioners and the internal control system, Policy to ensure the effective functioning of each company organ, Policy to ensure effective accountability, effective internal control and proper financial reporting, Code of conduct based on company’s values and business ethics, Instruments for disclosure of information for shareholders and other stakeholders, Policy on improvement various the company regulations necessary for implementation of GCG principles.
**4.2.2.8 Measurement of GCG Implementation**

Based on the The Ministrial Decree No. Per-01/MBU/2011 about regulation concerning the implementation of GCG in State Owned Enterprises, specifically in the article 44 state that GCG implementation in State Owned Enterprises shall be measure. PTPN VI has measured the implementation of GCG since 2010. The assessment is conduct by the independent assessors, BPK-P Jambi which is appointed by the Board of Commissioners.

The results of the assessment and evaluation for PTPN VI in 2010 and 2011 are good. In 2010 GCG score of PTPN VI is 78.42 and in 2011 the score is 80.04. The result is reported to the Annual General Meeting and the Ministry of State Owned Enterprises along with submission of Annual Report.

**4.2.3 The Role of Audit Committee in the Implementation of GCG**

Audit Committe is established to assist the Board of Commissioners review the Company’s business. To review the implementation of GCG in PTPN VI is one of the main duty of The Audit Committee. There are five principles of GCG which need to be implemented and Audit Committee is need to perform its role in order to objectify the Good Corporate Citizen which implement the GCG principle, as follow:

**4.2.3.1 Transparancy**

To implement the transparancy principle, the Audit Committe perform its role as the reviewer for every information related to the Company condition before it is reported to the Board of Commissioners and the General Meeting of Shareholders.

The Audit Committee will held a meeting with the Internal Auditor and Finance Departement quarterly, to ensure the effectivity of the internal control system. If there is
an issue appear as the material problem, Audit Committee will put it as the concern and give the recommendation to the Internal Auditor and Finance Departement. Latter in the next meeting, Audit Committee will ask the follow up about the progress of the latest issue.

For the audited financial report, Audit Committee is oblige to follow up the audit progress, perform by the External Auditor. Audit Committee also held a meeting with the External Auditor regarding the audit issue, at the end Audit Committee of PTPN VI will also analyze the effectivity and evaluate the external auditor performance.

The result of the meeting with Internal Auditor, Finance Department and External Auditor, related the internal information, financial statement or annual report material will be reported to the Board of Commissioners. To disclose the financial issue, Company Internal Control and Company GCG practice is becomes Audit Committee responsibility. Audit Committee will also mention the matters which need attention from the Board of Commissioners. Every information related the Company condition has been review by the Audit Committee before it is reported to the Board of Commissioners. In this principle, the Audit Committee has well performed its role, to assure the transparency in PTPN VI.

4.2.3.2 Accountability

The organs of PTPN VI have scheduled their meeting regularly, both internal meeting or meeting with another division. PTPN VI has an organization structure and job description in detail. Codes of Conduct and assessment work are provided for every employee in PTPN VI to support the smoothness of the Company Business operation.

The Audit Committee of PTPN VI hold the meetings not only with the members of Audit Committee but also with Board of Commissioners, Internal Auditor and
External Auditor. The meeting frequency is quite intense, more than three times in a year and the meeting place is both in Jambi and Jakarta. It makes the Audit Committee accountable enough to perform its obligation in term of review the Company Organ performance and collect material information covering the Company conditions. Audit Committee has well performed its role in implementing this principle.

4.2.3.3 Responsibility

Every business activity run by the Company and every policy set by the Company are based on the Law and Provision. The Audit Committee is also responsible to the PTPN VI obidience related Law and Provision pervail to all of the State Owned Enterprises. Information of Company condition will be audited by Audit Committee before it is reported to the Board of Commissioners and Shareholders, therefore Audit committee of PTPN VI will review and audit the Company condition based on the policy set by the Ministry of State Owned Enterprises and Government in order to be Good Corporate Citizen.

4.2.3.4 Independency

The Audit Committee is need to perform its independency. The member of Audit Committee in PTPN VI is announced to public in aim to prove their independency. Audit Committee member have no business or family relation to the PTPN VI Company organ. To Board of Commissioners, Internal Auditor and External Auditor, Audit Committee need to give an independent opinion, recomendation and evaluation. Since the member of Audit Committee in PTPN VI is independent, therefore their opinion is independent.
4.2.3.5 Fairness

The Audit Committee in PTPN VI assure the fairness of information being deliver to all of the Stakeholder. Board of Commissioners and Board of Director need to be fair and objective in decision making for all of the Company, to produce the fair decision, both Board of Commissioners and Board of Director need fair information from the Audit Committee about the Company Condition.

4.3 Findings

PTPN VI has implemented the GCG on its Company activities very well and the Audit Committee has shown its role in supporting the implementation of GCG in PTPN VI. The transparency, accountability, responsibility, independency and fairness has applied in the company business operation, hence there is one thing need to be concern for the Company, it is the Responsibility of Minutes of Meeting. The Company organ of PTPN VI has held several meetings during one year period, during the observation, some of the meeting documentation cannot be found. It seems, there is documentation control problem. Since one of the audit committee main duties is assisting the Board of Commissioner to ensure the effectiveness of internal control system, then the documentation control problem is also concern of Audit committee which need to be solve. Because this problem is also will
CHAPTER V

CONCLUSION AND RECOMENDATION

5.1 Conclusion

Based on the result of the research and supported with the theoretical framework which have been describe on previous chapter, the writer find the conclusion to answer the problem identification, as follow:

- The Audit Committee has effectively performed its role in the implementation of GCG in PTPN VI. By analyzing performance of Audit Committee activity based on five GCG principles which are Transparency, Accountability, Responsibility, Independency and Fairness, this research has shown if the Audit Committee role is needed to assure whether the GCG is well implemented.

- As State Owned Enterprises, PTPN VI has the Ministry of State Owned Enterprises as its shareholders and all the Company asset is owned by the State. By analyzing the growth of the Company and the Company activities based on the five principle of GCG, the result has shown if GCG is an effective tools to protect the company asset.

- PTPN VI has implemented the GCG on its Company very well. After an observation and inquiry, the result has shown that in PTPN VI the implementation of GCG is not just an obidience to the Law and Provision but GCG has been considered as the need of the Company. The commitment and continuity to apply GCG in every bussiness activity has added value of the Company and lead to achieve company’s good state of economy, efficiency, effectiveness and compliance (3EC).
5.2 Recommendation

PTPN VI has implemented the GCG on its Company activities very well and the Audit Committee has shown its role in supporting the implementation of GCG in PTPN VI. By considering the importance of Audit Committee and the implementation of the GCG, therefore the writer give some recommendations to the Company, as follow:

- PTPN VI needs to assure the continuity of GCG principles implementation. Especially in the responsibility of keeping minutes of meeting. The minutes of meeting is important as the record of the meeting, therefore when the Audit Committee or any Company organ want to follow the result of the meeting, the documentation is easy to be found. By considering the importance of Minutes of Meeting, PTPN VI needs to improve its documentation system in order to gain awareness for every meeting held to make and keep a minutes of meeting.

- In order to increase the GCG implementation, PTPN VI needs to encourage all of its employees to join the practice of GCG on their activity. Because if only the Company Organ such as Board of Commissioners, Board of Director, Internal Auditor, Company Secretary and Audit Committee who are be aware and be punctual in the implementation of GCG without the support from all of the employees, then the implementation of GCG in PTPN VI will be stop on this point and even it will be decrease.
REFERENCES


National Committee on Governance, *The Indonesian Code of Good Corporate Governance*, National Committee on Governance, Jakarta, 2006

Samy Tayie, *Research Methods and Writing Research Proposals*, Center for Advertisement of Postgraduate Studies and Research in Engineering Sciences, Faculty of Engineering – Cairo University (CAPSU), Cairo, 2005

Syakhroza, Ahmad, *Corporate Governance: Sejarah dan Perkembangan, Teori, Model dan Sistem Governance serta Aplikasinya pada Perusahaan BUMN*, Lembaga Penerbit FEUI, Jakarta, 2005


[http://www.fcgi.or.id/](http://www.fcgi.or.id/), accessed on 7 October 2012


UU Number 40 Year 2007 concerning *Limited Liability Company*

UU Number 19 Year 2003 concerning *State Owned Enterprises*
The Ministrial Decree of State-Owned Enterprises Number.117/M-MBU/2002 concerning the *Implementation of GCG in State-Owned Enterprises*


The Ministrial Decree of State-Owned Enterprises Number.KEP-103/MBU/2002 concerning the *Establishment of the Audit Committee in State-Owned Enterprises*
APPENDICES
Appendix A
Appendix B
PERTANYAAN WAWANCARA KOMITE AUDIT

1. Sudah berapa lama bekerja di PTPN VI?
2. Sudah berapa lama bapak menjadi Ketua Komite Audit?
3. Apa tugas utama Komite Audit di PTPN VI?
4. Apa focus dari Komite Audit?
5. Berapa kali Komite Audit mengadakan rapat dalam setahun?
6. Apa saja point utama yang di bahas dalam rapat Komite Audit?
7. Bagaimana peran Komite Audit dalam membantu Dewan Komisaris menerapkan prinsip dasar dari GCG?
8. Menurut pendapat anda, seberapa penting peran Komite Audit dalam melaksanakan tugasnya, khususnya menerapkan GCG di dalam perusahaan?
9. Sejauh mana Komite Audit harus mengenal perusahaan, PTPN VI?
10. Bagaimana hubungan Komite Audit terhadap Dewan Komisaris, Internal Auditor dan External Auditor?
11. Komite Audit mengadakan rapat setiap 3 bulan sekali untuk mengaudit hasil laporan management. Apabila terdapat temuan, komite audit memberikan rekomendasi terhadap Internal Auditor dan management. Bolehkah saya tahu salah satu contoh nyata dari rekomendasi yang di berikan Komite Audit terhadap hasil review internal audit? Terkait masalah apa rekomendasi tersebut? Lalu bagaimana bentuk follow up dari komite audit terhadap rekomendasi yang telah diberikan?
12. Berapa kali RUPS diadakan dalam setahun?
13. Apa saja yang di bahas dalam RUPS?
14. Apa kontribusi Komite Audit dalam persiapan bahan RUPS?
15. Apa kontribusi Komite Audit dalam persiapan Laporan Keuangan Tahunan?
16. Bagaimana kerjasama Komite Audit dengan Internal Auditor juga External Auditor dalam menganalisa dan mempersiapkan kelayakan Laporan Keuangan PTPN VI?

17. Apa pengalaman paling menarik anda selama menjabat sebagai Komite Audit PTPN VI?

18. Apakah ada kendala dalam menerapkan tugas sebagai Komite Audit di PTPN VI?

19. Menurut pendapat anda, seberapa penting penerapan GCG untuk melindungi asset perusahaan?

20. Menurut pendapat anda, apakah GCG menjadi kebutuhan untuk perusahaan dalam menjalankan bisnisnya?
PERTANYAAN WAWANCARA SEKRETARIS PERUSAHAAN

1. Sudah berapa lama bekerja di PT PN VI?
2. Sudah berapa lama menjadi Sekretaris Perusahaan?
3. Apa tugas utama Sekretaris Perusahaan PT PN VI?
4. Bagaimana hubungan Sekretaris Perusahaan dengan Dewan Komisaris, Komite Audit dan Dewan Direksi?
5. Sejauh mana peran Sekretaris Perusahaan terhadap setiap laporan Komite Audit?
6. Bagaimana mekanisme pelaporan hasil kerja audit?
7. Sebagai Sekertaris Perusahaan PT PN VI, bagaimana menurut Anda kinerja Komite Audit periode 2011 dalam menjalankan tugasnya?
8. Menurut pendapat anda, seberapa penting peran Komite Audit dalam melaksanakan tugasnya, khususnya menerapkan GCG di dalam perusahaan?
9. Menurut pendapat anda, seberapa penting penerapan GCG untuk melindungi asset perusahaan?
10. Menurut pendapat anda, apakah GCG menjadi kebutuhan untuk perusahaan dalam menjalakan bisnisnya?
1. Sudah berapa lama bekerja di PTPN VI?
2. Sudah berapa lama bapak menjabat sebagai Internal Auditor?
3. Apa tugas utama Internal Auditor?
4. Apa fokus dari Internal Auditor?
5. Bagaimana hubungan Internal Auditor terhadap Komite Audit dan Dewan Direksi?
6. Berapa kali Internal Auditor mengadakan rapat dalam setahun?
7. Apa saja yang di bahas dalam rapat Internal Auditor?
8. Pada PT PN VI, bagaimana cara mekanisme audit terhadap laporan internal perusahaan?
9. Terkait dengan laporan komite audit terhadap hasil auditnya selama setahun, bagaimana respon Internal Auditor dan apa tindakan yang di berikan atas rekomendasi dari Dewan Komisaris?
10. Bagaimana kerjasama Internal Auditor dengan Komite Audit juga External Auditor dalam menganalisa dan mempersiapkan kelayakan Laporan Keuangan PT PN VI?
11. Menurut pendapat anda, seberapa penting peran Komite Audit dalam melaksanakan tugasnya, khususnya menerapkan GCG di dalam perusahaan?
12. Menurut pendapat anda, seberapa penting penerapan GCG untuk melindungi asset perusahaan?
13. Menurut pendapat anda, apakah GCG menjadi kebutuhan untuk perusahaan dalam menjalakan bisnisnya? Khususnya untuk perusahaan sebesar PT PN VI
PERTANYAAN WAWANCARA DEWAN KOMISARIS PTPN VI

1. Sudah berapa lama bekerja di PTPN VI?
2. Sudah berapa lama bapak menjadi Presiden Komisaris?
3. Apa tugas utama Dewan Komisaris PTPN VI?
4. Apa fokus dari Dewan Komisaris?
5. Bagaimana hubungan Dewan Komisaris terhadap Komite Audit dan Dewan Direksi?
6. Sebagai Presiden Komisaris, menurut Anda apa tugas utama Komite Audit?
7. Sebagai Presiden Komisaris, menurut Anda bagaimana peran Komite Audit dalam membantu Dewan Komisaris menerapkan prinsip dasar dari GCG?
8. Pada PTPN VI bagaimana cara Komite Audit melaporkan hasil kerjanya di akhir periode?
9. Terkait dengan laporan komite audit terhadap hasil auditnya selama setahun, apa tanggapan dari dewan komisaris? Hanya mengetahui kah atau ikut memberi rekomendasi?
10. Sebagai President Komisaris PTPN VI, bagaimana menurut Anda kinerja Komite Audit periode 2011 dalam menjalankan tugasnya?
11. Apa kontribusi Komite Audit dalam persiapan Laporan Keuangan Tahunan?
12. Bagaimana kerjasama Komite Audit dengan Internal Auditor juga External Auditor dalam menganalisa dan mempersiapkan kelayakan Laporan Keuangan PTPN VI?
13. Menurut pendapat anda, seberapa penting peran Komite Audit dalam melaksanakan tugasnya, khususnya menerapkan GCG di dalam perusahaan?
14. Menurut pendapat anda, seberapa penting penerapan GCG untuk melindungi asset perusahaan?
15. Menurut pendapat anda, apakah GCG menjadi kebutuhan untuk perusahaan dalam menjalakan bisnisnya?