

RESTRENGTHENING THE ROLE OF SUPREME AUDIT AGENCY IN SUPERVISING STATE-OWNED ENTERPRISES?

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Abstract. Many parties have questioned the existence of the State Audit Agency to supervise State-Owned Enterprises. The Indonesian Constitutional Court decided on verdicts 62/PUU-XI/2013 and 26/PUU-XIX/2021 regarding the position of the Supreme Audit Agency as the external supervisor of State-Owned Enterprises. This study compares how Indonesia and Hungary, two countries that follow the civil law system, place the Supreme Audit Agency (Badan Pemeriksa Keuangan and Állami Számvevőszék) in their legal system. Moreover, this paper explores and confronts the legal doctrines and legislations of the two countries in auditing and strengthening the corporate governance of public companies. In conclusion, this study explains that Indonesia and Hungary regulate Badan Pemeriksa Keuangan and Állami Számvevőszék in their Constitutions as the fundamental law and further regulate it in the Act as a complementary law. Both countries used the Board or Collegiate model of audit institution and assigned the Supreme Audit Agency as a protector of state assets by preventing fraud and strengthening good corporate governance in the management of State-Owned Enterprises.

Keywords: State-Owned Enterprises, Supreme Audit Agency, Indonesia, Hungary.

Introduction

The responsibility for managing state finances is on the paradigm of public law regulated in several regulations such as the state finance law, the law on auditing bodies of finance, the law on state financial supervision, and the law on state companies. In contrast, the company's business activities are in a corporate legal framework which is part of private law (Kasim, H., 2017). Therefore, State-Owned Enterprises (hereinafter - SOEs) are in two paradigms of public law and private law.

The position of SOEs whose majority or most of their capital comes from the state creates a dualism of the supervision paradigm based on the government judgment rule and business judgment rule. This supervision is also related to the role of the audit agency in charge of supervising SOEs. In 2013, the SOEs Legal Forum submitted a judicial review of several articles in the State Finance Law to the Indonesian Constitutional Court. There are three norms tested, namely the definition of state finances, state assets, and the audit authority of the Supreme Audit Agency for SOEs (hukumonline, 2014).

In verdict number 62/PUU-XI/2013, the Constitutional Court rejected all requests from the SOEs Legal Forum. The separated state assets as SOEs' capital are state assets and the State Audit Board remains authorized to supervise and audit SOEs for managing state finances (Indonesian Constitutional Court, 2013). The decision

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emphasized the duties and authority of the Supreme Audit Institution in examining the management and financial responsibilities of SOEs as stated in Law Number 17 of 2003 on State Finance (Papatungan, M.H., 2017).

Furthermore, the issue of the Supreme Audit Agency's supervision of SOEs does not yet end. Muhammad Helmi Kamal, former President Director of the Pertamina Pension Fund, examined several articles of the Supreme Audit Agency Law to the Indonesian Constitutional Court in 2021. In his lawsuit, the Pertamina Pension Fund is a subsidiary of PT Pertamina, a state oil and gas company, which collects employee contributions as a pension fund. Therefore, the Supreme Audit Agency is not authorized to audit the company because it does not manage state finances. However, in verdict number 26/PUU.XIX/2021, the Indonesian Constitutional Court rejected the request by stating that the Supreme Audit Agency (SAA) is eligible for conducting the examinations on all legal subjects that are directly or indirectly related to state finances. Besides, SAA has a firm authority to audit and supervise SOEs (Indonesian Constitutional Court, 2021).

This paper will compare legal doctrines and legislations on supervision of SOEs held by the Audit Board of Indonesia (hereinafter - Badan Pemeriksa Keuangan) and the State Audit Office of Hungary (hereinafter - Állami Számvevőszék). It also asks how different legal systems has addressed problems that our law faces but in a different way, and with degree of perceived success or failure (Salter, M. and Mason, J., 2007). To collect data, this research will take a secondary data from books, legislations, journals, newspapers, reports, and other publications related to the topic of research. All data will be analyzed qualitatively regarding the qualities of sources rather than its quantity.

The study explores the following research questions; how do Indonesian and Hungarian legislations regulate the role of the Supreme Audit Agency in supervising SOEs? If so, how do SOEs constantly need supervision and audit to bolster good corporate governance based on Indonesia's and Hungary's experiences?

Although geographically located on different continents with thousands of kilometres, Indonesia and Hungary have had economic cooperation in the form of the Indonesia-Hungary Investment Fund (hereinafter - IHIF) since 2021. IHIF aims to provide funding sources for national strategic projects in the fields of digital infrastructure, water treatment clean, and other public infrastructure in Indonesia. Over the past five years, bilateral trade between the two countries has continued to increase. When the pandemic emerged in 2020, trade between the two countries increased by 13.35 percent (Ministry of Foreign Affairs of Indonesia, 2021). The comparative study of the supervision of state companies by the Supreme Audit Agency becomes very interesting because of the good relations between the two countries in investment and trade. The study results will provide educational benefits in strengthening state corporate governance in running a business by strengthening the supervisory role of the leading audit agency.

1. The Relation Between State and State-Owned Enterprises

How to give the meaning of State-Owned Enterprises (SOEs) is that there is no one the exact meaning because many definitions are used differently. For instance, Asian Development Bank (hereinafter - ADB) defines SOEs as “a legal entity established to undertake commercial activities and owned fully or largely by the sovereign” (ADB, 2018, p. 3). Besides, the Organization for Economic Co-operation and Development (hereinafter - OECD) Guidelines defines SOEs as “any corporate entity recognized by national law as an enterprise, and in which the state exercises ownership. It includes joint stock companies, limited liability companies, and partnership limited by shares. Also, statutory companies, with their legal personality established through specific legislation, must be considered as SOEs if their purposes and actions, or parts of their actions, are of a mainly profitable nature” (OECD, 2015, p. 14-15).

Another definition introduces SOEs by dividing it based on the number of shares owned by the state. European Commission for Economic and Financial Affairs explains that SOEs can include the following categories:

- 1) SOEs fully owned by public authorities.
- 2) Public authorities have a majority share.
- 3) Public authorities retain a minority share but have special statutory powers.

4) Public authorities have a minority share and no special powers. These are generally not considered as SOEs however they may be of relevance to obtain a fuller picture of governments' stake in the economy (European Commission Directorate-General for Economic and Financial Affairs, 2016, p. 6-7).

Indonesian law, particularly stated in Law Number 19 of 2003, mentions that SOEs is an enterprise or company which the value of shares possessed by the state either majority or entirely through direct equity participation obtaining from the limited state properties. Moreover, SOEs is divided into three: First, State-Owned Limited Liability Company (Perusahaan Perseroan) means a SOE which has the following characteristics: incorporated as a limited liability company, the company's capital is divided into shares, the total share ownership or at least 51% is owned by the Indonesian government, and the main objective is making a profit. Second, State-Owned Listed/Registered Company (Persero) means a SOE that has met certain criteria in equity and the number of its shareholders or Persero that has made a public offering through the capital market mechanism in accordance with applicable legal provisions. Third, Public Corporation (Perusahaan Umum/Perum) means a fully owned company by the state since the capital is not divided into shares which goal is to produce advanced quality stuffs and/or services for public utilities and concurrently to acquire gains under the corporate governance values.

The existence of state company is based on the thought of the Constitution of the Republic of Indonesia 1945 who adheres to the Pancasila economic theory which runs parallel to and beside the major economic systems in the world (Peter, M., 1982). In addition, The Pancasila economy, in line with the struggle for political sovereignty, establishes the basis for national economic development through the struggle for economic sovereignty (Madjid, A. and Swasono, S.E., 1988). Article 33 of the Indonesian Constitution is the fundamental thought of the urgency of SOEs that stated five frameworks of Indonesian economic principles. First, principles of kinship are basic structure of economics as a joint enterprise. Second, state must control several important and vital production sectors for livelihood of people. Third, state should manage and have control of land and waters and the natural wealth contained in it to utilize for the optimal welfare of the people. Fourth, the principles of solidarity, efficiency with justice, sustainability, environment concept, autonomy, as well as by safeguarding the balance of progress and national economic unity are the principles of economic democracy as the national economic management. Fifth, the laws, under the hierarchy of the Constitution, will further regulate the implementation of the provisions of the national economy.

Hungary also has a special enterprise format to organize publicly owned economic activities ruled by Act V. of 2013 on the Civil Code. These are the forms of the Hungarian economic enterprises: General Partnership (3:138), Limited Partnership (§. 3:154), Private Limited – Liability Companies, and Limited Companies (§. 3:159 and §. 3:210), on the Civil Code. The last two types of companies are the only formats that can be State Owned Enterprises. (Papp, T. and Auer, A., 2016). Besides, the basic norm of SOEs is taken from the Fundamental Law of Hungary. For instance, the article M states that the economy of Hungary shall be based on work which creates value, and on freedom of enterprises. Moreover, article XII paragraph (1) says that everybody shall own the right to decide his or her occupation and profession without restraint and to partake in entrepreneurial interest. Everyone, in accordance with his or her abilities, capabilities and readiness, must support and contribute to the enrichment of the community through his or her work.

It is also an important regulation in Hungarian law that a local government's entrepreneurial activity shall not jeopardize its critical functions' performance. A local authority may participate only in an undertaking whose liability does not exceed the extent of its financial contribution (Act CXCVI 2011 on National Asset). In the Hungarian Fundamental Law, "the local governments may engage in entrepreneurial activities using their assets and revenues available for this purpose, without jeopardizing the performance of their mandatory duties."

More specifically, the Hungarian constitution also presents the concept of asset ownership as the basis for regulating individual ownership and state ownership of an asset. Article 38 of the Hungarian Fundamental Law declares: First, the national asset, both state and regional governments, shall be public properties. Those public assets should be operated and protected to serve the public interest, to meet common benefit, to conserve natural wealth, and to consider the needs of the next generations. A Cardinal Act will regulate the conditions for managing and guarding national properties and controlling the state assets. Second, a Cardinal Act will determine the scope of the exclusive assets and activities of the State. Besides, the law will also rule out the limitations and conditions of the alienation of national properties of outstanding importance to the national economy. Third, the transfer or

displacement of national properties shall comply with the Act with the exceptions decided in an Act and reflect on the demand of commensurate values. Fourth, the organization which has the power to manage national assets by order of the state are transparent in managing state assets and responsible to implement the contracts on the use or transfer of national assets. Fifth, a Cardinal Act will regulate the management and governance of business organizations owned by the State or local governments autonomously and responsibly based on the lawfulness, prudence, and efficiency requirements. Sixth, a Cardinal Act will regulate the establishment, operation, and termination of, and the performance of public duty by, a public interest asset management foundation.

During the 2000s, Hungary shifted the policy from privatization of SOEs to asset management. From an administrative point of view, according to Act CVI of 2007 on state property, the Hungarian National Asset Management is a legal and official institution by the law to control and carry out state assets (Papp, T. and Auer, A., 2016). To enlarge fiscal revenues, multiply employment, and restrict dependence on multinational businesses, the governments utilized the role of SOEs. After 2010, the government transformed its gesture toward foreign-owned enterprises and reconsidered the state duty. For example, the government reduced exaggerated foreign ownership in Hungarian banking sector by buying outs the foreign shares in several top commercial banks. The Hungarian capital owners, in some cases, reprivatized their assets to foreign investors while the state retained these assets (Szanyi, M., 2019).

SOEs has a significant economic role in many countries. For instance, SOEs are assigned a central role in transforming Indonesia into a developed economy. From the mid-2010s, the Indonesian government began to strengthen its direct participation in the economy by investing significantly in and via SOEs. In most cases, SOEs have a commanding influence on the industry in which they operate, and indeed the primary challengers to similar businesses also are other SOEs. This case confirms the dominance of public enterprises over strategic manufacturing (Kim, K., 2021). For instance, Pertamina, a national oil company of Indonesia, had a market share of 96% in 2016 in the sector of fuel retail. State-owned banks dominated 40% of national banking assets, and state-owned constructions took control of infrastructures like water, toll roads, ports, and airports. Bio Farma, a national pharmaceutical company, possessed absolute power over vaccine and serum manufacturers in Indonesia. SOEs are generally exempt from legislation preventing or controlling trusts or other monopolies when their market power fulfills the aim of national development objectives (OECD, 2021).

In Hungarian perspective, SOEs contribute around 2 percent to total economic output and 4 percent of total employment. Besides, SOEs dominated more than 60 percent of energy sector output and influenced more than 20 percent of transport sector (Böwer, U., 2017, P. 7-8). Hungary has almost 600 state-owned companies. According to the latest data from the Hungarian government released from 2010 to 2020, the book value of assets owned by the Hungarian state increased by 52 percent. The total value of assets reached about 18,000 billion Forint in 2020. State assets increased due to two causes: the government buying a new property and the increase in the value of state companies' assets (Moldicz, C., 2021).

As regulated by the Act CXCVI of 2011 on National Assets, one of the principal supporting institutions of the Minister of National Development is the Hungarian National Asset Management Inc. It is a public sector holding owned by the central government of Hungary. In addition, it is responsible for the management of SOEs assets. Its portfolio includes companies and both tangible and intangible properties (KPMG and Bocconi University, 2018). Based on Hungarian law, the holding company has to manage and supervise the state properties and assets, including gaining financial profit and surplus in organizing the portfolio. Moreover, the holding company has ownership rights to state assets of over 16,000 billion forints. This amount is equivalent to almost 50 percent of the annual GDP of Hungary. It is responsible for nearly 553,000 properties and about 100,000 other movable property items (Xin, C., 2021, p. 46).

2. The Role and Responsibility of *Badan Pemeriksa Keuangan* and *Állami Számvevőszék*

As a form of company, SOEs have the concept of internal and external supervision. Internal supervision is carried out by the Board of Commissioners who represents the interests of the company's shareholders. In the theory of corporate supervision, European countries such as France, Germany, and the United Kingdom have introduced the concept of corporate supervision through inspectors, commissioners, supervisory councils, or the Board of Trade (Conard, A.F., 1984, p. 1459-1488). Meanwhile, external supervision is carried out by an independent audit

agency requested or appointed by the company. Both internal and external supervision is exceedingly significant for ensuring good corporate governance. The external control makes the surveillance stronger due to its role as the complement and counterbalance. Although, social processes and structural governance factors incorporation are the notable elements to reaching the effectiveness of internal and external supervision (de Waal, M.M., 2020). All forms of supervision, internal and external, aim to ensure that the company carries out its business activities following the company's founding objectives, such as profit and prosperity.

SOEs get external supervision by a state agency or institution called the State Audit Institutions (hereinafter - SAI) or Supreme Audit Agency (hereinafter - SAA). Each country establishes this institution to convince that all public expenditures are managed and spent economically, efficiently, and effectively through audit and examination. More importantly, they comply with existing laws and policies to espouse national priorities. There are three main models of SAI: Judicial or Napoleonic model, Westminster model, and Board or Collegiate model. First, the Judicial or Napoleonic model is applied in the Latin countries in Europe, Turkey, Francophone countries in Africa and Asia, and several Latin American countries such as Brazil and Columbia. Second, the Westminster model is adopted in the United Kingdom, several Commonwealth countries, many Saharan African, a few European countries such as Ireland and Denmark, and Latin American countries such as Peru and Chile. In other terms, this model is mentioned as the Anglo-Saxon or Parliamentary model. Third, Board or Collegiate model is used in some European countries such as Germany, the Netherlands and Hungary, Argentina, and Asian countries such as Indonesia, Japan, and the Republic of Korea (OECD, 2010, p. 15-20).

In the Judicial or Napoleonic model, SAI, called the *Cour des Comptes* (Court of accounts), has both judicial and administrative power. It is an independent institution and an integral part of the judiciary, which excludes from executive and legislative branches. Its main task is to audit every government agency, such as ministries, departments, commercial and industrial bodies under the ministry, and social security bodies. In addition, the *Cour des Comptes* can make decisions and oversee legal compliance with government policies, especially concerning the use of public funds (The World Bank, 2001).

SAI, with the Westminster model, has professional auditors and technical experts to submit periodic reports related to government institutions' financial and operational reports. The difference with the Judicial or Napoleonic model is that it does not have judicial authority. However, the audit findings can be used as the basis for investigations by legal institutions. The Board or Collegiate model has similarities with the Westminster model, which does not have judicial authority. SAI is led by the president, who is also the general auditor. Its main task is to examine and analyze government revenues and expenditures and to report its findings to parliament (The World Bank, 2001).

Indonesia has SAIs which is known as *Badan Pemeriksa Keuangan* (the Audit Board of Indonesia). It has been regulated by the Indonesian Constitution 1945 Chapter VIII A The Financial Audit Board. Article 23E paragraph 1 mentioned that Supreme Audit Agency, a free and autonomous institution, was established by the State to examine the organization and responsibility in managing state finances. Next, paragraph 2 declared that the People's Representative Council, the Regional Representative Council, and the Regional People's Representative Council receive the result of an examination of the state finances in line with their authority. Afterward, paragraph 3 emphasized that the representative institution and or board must follow up on the result of an examination in compliance with the laws. The People's Representative Council is the mandated institution by Article 23F paragraph 1 to elect the Supreme Audit Agency members in consideration with the Regional Representative Council. Next, the President inaugurates those members. Then, all members, as stated in paragraph 2, choose the leadership of the Supreme Audit Agency among them. Lastly, Article 23G explained that the Supreme Audit Agency is domiciled in the capital city of Indonesia and shall have a representation in every province. Further provisions regarding this institution shall be regulated by laws.

Furthermore, Article 1 paragraph (1) of Law Number 15 of 2006 states that the Supreme Audit Agency, a state institution, has the assignment to inspect and verify the management and responsibilities of state finances. This task complies with the provision of the Indonesian Constitution 1945. The meaning of state finances, explained in Article 1 paragraph (1), are all state rights and obligations. Those can be appraised or rated in money, as well as everything in the form of money or in the form of assets that can be used as state property in regard to the performance of these rights and obligations. Moreover, state finances are state-owned finance and/or assets

managed by the Central Government, Regional Governments, State-Owned Enterprises, Regional-Owned Enterprises, and other institutions or bodies such as central banks, pension funds, foundations, public service agencies, and others.

Several laws and regulations, synchronous and complimentary, have regulated the authority of the Supreme Audit Agency to oversee SOEs. Law Number 17 of 2003 concerning State Finances, Law Number 15 of 2004 concerning Audit of Management and Accountability of State Finances, and Law Number 19 of 2003 concerning State-Owned Enterprises are following the provisions of Law Number 15 of 2006 related to the authority of the Supreme Audit Agency to examine SOEs (Anggoro, C., 2018). However, this authority has a weakness because the Supreme Audit Agency is only a co-auditor institution. The House of Representatives must have and receive all results of state financial audits from the Supreme Audit Agency. For financial audits in provinces and municipalities, the Regional People's Representative Council obtains the results of audits according to its authority (Dahoklory, V, 2020). Therefore, the Supreme Audit Agency cannot directly follow up when it finds state losses on the management of SOEs, but it must report it to the competent law enforcement agencies such as the Corruption Eradication Commission, the Police, or the Prosecutor's Office (Asshiddiqie, J., 2012).

In Hungary, Állami Számvevőszék (the State Audit Office) was established on 1 January 1990 after the country amended the Constitution by Act XXXVIII of 1989 on the State Audit Office. It is the responsible organization of the Parliament for financial and economic auditing. It is an external and independent organization of the Hungarian state control, and the Hungarian State Audit is accountable only to the Parliament each year. As an authoritative institution, it must organize its audits officially, efficiently, and prudentially (Halász, Z., 2012, p. 286). Moreover, the State Audit Office contributes to good governance model with the fundamental pillars such as high-quality lawmaking, lawfulness, accountability, transparency, integrity, economic and financial sustainability, a model organization, and effective and efficient management (Domokos, L., Pulay, G., Pályi, K., Németh, E., and Mészáros, L., 2016). It also supports the effectiveness and efficiency of governance both public entities and state-owned enterprises by enforcing transparency and measurability of performance. Therefore, the State Audit Office is a supreme audit institution that plays a prominent role in public management reform, particularly in state finances (Domokos, L. et al, 2016).

The main legal basis for the State Audit Office of Hungary is the Fundamental Law of Hungary. The primary duty of the State Audit Office is a financial and economic audit. In the organizational structure of the State, it is an independent and external organ of the State which is responsible for the State Audit. The Fundamental Law of Hungary said: The State Audit Office shall be the organ of the National Assembly responsible for the financial and economic audit. The State Audit Office shall audit the implementation of the central budget, the administration of public finances, the use of funds from public finances and the management of national assets. There are four audit scopes, regulated by law, such as the implementation of the central budget, the administration of public finances, the use of funds from public finances, and the management of national assets. In carrying out its duties, the State Audit Office must pay attention to the criteria of lawfulness, wisdom, and efficiency. Interestingly, the term of service for the President of the State Audit Office is twelve years. The election of the President is with the votes of two-thirds of the members of the National Assembly. Every year, the President submits accountability to the Member of the National Assembly.

Furthermore, Act LXVI of 2011 emphasizes the legal position and authority of the State Audit Office of Hungary. It mentions in Article 1 that the State Audit Office is the top independent audit institution for state finance supervision. It is also responsible to the National Assembly. Moreover, it conducts its audit independently of any other organization since it has supreme control over examining and verifying the management of public funds and assets organized by central and local governments. More importantly, the State Audit Office supports the National Assembly, its committees, and the work of the audited entities, thus facilitating well-governed operations. Its findings, recommendations, and advice based on its audit experience are highly beneficial for implementing good state governance. Based on its conclusion, the State Audit Office may propose and begin actions with the competent authority against the audited entities and the persons responsible. However, its reports, findings, and resolutions are legal and binding. Someone or an institution can confront and contest them in courts or other authorities.

3. The Importance of Supervision of State-Owned Enterprises by Supreme Audit Agency

The state establishes SOEs with social and profit goals. In the concept of state administration, the social function of SOEs is as a state apparatus to provide public services in the form of goods or services to citizens. At the same time, the profit function is carried out by seeking profit within the private legal framework (Dahoklory, V, 2020). Besides, SOEs has a function as an agent of development of the state. SOEs provide public services by working on national development projects on assignment from the government as the majority shareholder. SOEs carrying out their duties receive many incentives and subsidies such as government funding assistance, tax cuts or write-offs, and debt interest reduction (Marisi, 2017).

In administrative law theory, supervision can be divided into two forms. First, supervision according to the institution consists of internal supervision and external supervision. Second, supervision is based on its nature, namely preventive supervision and repressive supervision (Setiawan, A., 2019). OECD Guidelines on Corporate Governance of SOEs mentioned the great signification of supervision. SOEs must pay attention to high standards of transparency and be subject to the same high quality of accounting, disclosure, compliance, and auditing standards as listed companies. Moreover, SOEs annual financial reports should be subject to independent external audit based on excellent levels. Exclusive state control procedures do not substitute for an independent external audit (OECD, 2015).

To prevent fraud and corruption, audit institutions have three roles in prevention and detection to improve overall transparency and accountability, support an environment that limits corrupt behavior, and promote a climate of good governance (Latif, A., 2002). Audit institutions are “the guardians of public interest” since people trust them. More interestingly, they possess national faith more than other powers of the regime. Moreover, they play a significant role in uncovering professional misconduct and unprofessional behavior. Indeed, auditors are proficient in discovering unfair financial notifications that can disguise corrupt activities (Chêne, M., 2018).

The Supreme Audit Agency of Indonesia has experienced uncovering the cases of state loss. Next, those cases were submitted to the Corruption Eradication Commission for further investigation. This role is under the statutory order that if the Supreme Audit Agency finds a criminal element in the examination, they must report it to the authorized law enforcement agency (Ilahi, B.K. and Alia, M.I., 2017). The Supreme Audit Agency utilizes the results of inspections by the internal control agency. Those results become one of the most prominent papers for verifying and investigating how institutions manage their financial activities. More importantly, they have three types of audits. First, the financial audit of reports submitted by state institutions and SOEs. Second, examination of the performance of state financial management from the aspect of efficiency and effectiveness. Third, an examination with a specific purpose is an investigative examination carried out at the request of law enforcement officials (Kaldera, N.X., Muthi, A. and Faza, H.A., 2020).

Based on Hungarian experience, State Audit Office has a great role in enforcing a good corporate governance for SOEs. It constitutes cornerstone of the models ensuring that the institutions deliver objective and unbiased findings (Domokos, L. et al, 2016). More importantly, State Audit Office pointedly audited and assessed SOEs in many aspects such as financial circumstances, management of assets and properties, the structure of the domestic control system, and fulfillment with the connected rules in areas justifying integral parts of the former. Besides, the audits included the assessment of some fields in leadership performance (Domokos, L., Makkai, M. and Szommer, V., 2019).

Conclusions

Indonesia positions the Badan Pemeriksa Keuangan in the Indonesian Constitution 1945. Article 23E, 23F, and 23G in Chapter VIIIA regulate the general role and duty of the Audit Board of Indonesia. These laws show that the Supreme Audit Agency is a high state institution that works based on the constitutional mandate. Moreover, several laws such as Law Number 15 of 2006, Law Number 17 of 2003, Law Number 15 of 2004, and Law Number 19 of 2003 strengthen the legal standing of the Supreme Audit Agency. Furthermore, the Indonesian legal framework established the SOEs' capital as state assets. The state consequently controls the SOEs by assigning the Supreme Audit Agency.

In Hungary, the *Állami Számvevőszék* is the independent organ of the National Assembly and the responsibility of the National Assembly. The principal legal norm for the State Audit Office of Hungary is the Fundamental Law of Hungary, particularly in Article 43. Besides, the legal status and powers of the State Audit Office are under Act LXVI of 2011 on National Assets. From the Hungarian legal perspective, SOE's property is part of national assets. The State Audit Office, therefore, has the right to audit SOEs to support their transparency and measurability of performance.

Indonesia and Hungary adhere to the Board or Collegiate model in the audit system of government institutions which eliminates judicial authority for audit institution. However, both Badan Pemeriksa Keuangan and *Állami Számvevőszék* have a significant role in reinforcing and strengthening the good governance of SOEs. As the external supervisor, the Supreme Audit Agency can prevent fraud and corruption, precisely improve overall transparency and accountability, support an environment that limits corrupt behavior, and promote a climate of good governance. The two countries utilize the existence of the Supreme Audit Agency to protect and safeguard the state assets as a part of the capital and wealth of SOEs.

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