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Moral Principles and Decision-Making Study of Governance, Risk and Compliance in Running a Business Entity

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ABSTRACT

This research is entitled Moral Principles and Decision Making: A Study of Governance, Risk and Compliance in Running a Business Entity. The title of this research is based on financial scandals that have repeatedly threatened the life and sustainability of Business Entities, such as the Top 10 Accounting Scandals and the State-Owned Enterprise (BUMN) PT Asuransi Jiwasraya (Persero), which involved 13 business entities. This research aims to strengthen the understanding of business requirements to achieve business goals by obeying morality and law. The qualitative method used in this research explicitly interprets secondary data obtained from written sources to sharpen research results, clarify the research flow, produce useful research, take responsibility for research, and overcome weaknesses that could cause the crisis. This research concludes that achieving business goals is determined by fulfilling business requirements. The implementation of moral principles (governance, risk anticipation, and compliance) must be fulfilled to achieve the goal (life and sustainability of the Business Entity).

Keywords: Governance, Risk, Compliance and Sustainability

1. INTRODUCTION

There are specific types of ethical misconduct reported in the last two decades, i.e., The Top 10 Accounting Scandals (CFI Team, 2024) and Mega Scandal of PT Asusransi Jiwasraya (Sidik, 2020). The problem raised in this research is the neglect of ethics in business as if the achievement of business goals has nothing to do with moral principles (Weiss, 2021). On the contrary, (Dolfsma, 2006) said that ethical reasoning can inform business organizations to respond to complex issues that have far-reaching market mechanisms.

Ethical reasoning is about “do the right thing” instead of “do thing right” (Ghillyer, 2012). “Do Things Right” focuses on efficiency: This principle relates to the efficiency of how to follow the process correctly. Example: Ensure each task is correct by following rules and minimizing errors. “Do the Right Thing” focuses on effectiveness. This principle is more related to effectiveness. It is about making sure you are working on the right tasks and will lead you towards the desired outcome or goal. Example: Choose actions that align with values, ethics, and long-term impact, even if they are not always the most efficient.

Thus, “Do Things Right” talks about how to do things correctly, while “Do the Right Thing” talks about choosing the right actions to achieve the desired results. We must do things right. But in a specific condition we need to choose the right thing by way of ethical reasoning rather than just follow the rules. A business entity aims to generate profits but in doing so we have to be ethically aware to do the right thing. In other words, governance, risk anticipation and compliance are requirements that must be met so that the business being run can survive and continue.

The Top 10 Accounting Scandals occurred in ten foreign companies while the Mega Scandal occurred in State-Owned Enterprises (BUMN), namely PT Asuransi Jiwasraya (Persero) in Indonesia. The aftermath of acting by ignoring moral principles (governance, risk, and compliance) caused a crisis that hit both groups of companies dubbed cynically by the names Top 10 Accounting Scandals and Mega Scandal Jiwasraya.

Accounting as applied ethics deals with teaching discipline as it was told by Adam Smith, during his life professor of Moral Philosophy at the University of Glasgow ((Dolfsma, 2006); (Adkins & Radtke, 2004)). Adkins & Radtke research agreed with Smith's thoughts and confirmed the importance of ethics education in accounting. Doing good in accounting means respecting rights and living by ethical rules whatever the consequences. So, preparing young professionals for the better future needs shared understanding between students and faculty about accounting regulation to ensure that information is produced on a consistent basis in accordance with a set of rules that make it reliable for users. However, communications between entities and shareholders may be deliberately distorted by the activities of financial statement preparers who wish to alter the content of the messages being transmitted. This type of distortion is often referred to as "creative accounting" or "earnings management".

This research focuses on manipulative behavior on the part of preparers of financial statements, considering some important ethical concerns about threat or manipulation (Gowthorpe & Amat, 2005). A threat is an effort or activity carried out by a particular individual or group that has the potential to endanger the safety of another individual or group. Threats can come from various sources, such as humans, nature, or technology.

Threats in form of manipulations can be divided into two types as macro-manipulation and micro-manipulation. Macro-manipulation occurred when preparers become aware of a proposal to alter accounting regulation in a way that they feel will be disadvantageous to them, they may engage in lobbying to attempt to prevent the change. They attempt to bring about an alternative depiction of economic reality which is more favourable to them. In this research we identify this type of behaviour as macro-manipulation. Micro-manipulation is a creative accounting at an individual entity level involves preparers in altering accounting disclosures so as to create the view of reality that they wish to have communicated to users of the financial statements. When preparers become aware of a proposal to alter accounting regulation in a way that they feel will be disadvantageous to them, they may engage in lobbying to attempt to prevent the change. They attempt to bring about an alternative depiction of economic reality which is more favourable to them. In this paper we identify this type of behavior as macro-manipulation (Gowthorpe & Amat, 2005). Threat is a challenge of a person or an organization to increase capabilities and readiness in overcoming that threat. This statement also contains an optimistic message that threats should not be feared, but must be faced with enthusiasm and the right strategy. A hazard is something that can cause harm, injury, or death. Hazard is the potential or possibility of danger, while danger as a condition or situation that is already dangerous (Muhyidin, 2014). Here the accounting regulatory background becomes important, namely, local laws relating to corporate and other bodies, and second, a system of accounting regulation in the form of standards. Also, in recent years, a supra-national body, the International Accounting Standards Committee (IASC) has become more important in setting standards. Governance, risk anticipation and compliance can work in the business world if regulations can be used as a basis for action (Gowthorpe & Amat, 2005).

This research question is as follows.

a. How to organize governance in business ventures in accordance with the principles of Good Corporate Governance?
b. How to anticipate risks through risk management with GCG standards?
c. How to behave in business based on legal and ethical compliance?

Based on the research questions, the objectives of this research are determined as follows.

a. Planning the business entity to run according to the vision and mission set as an effort for good and sustainable governance.

b. Evaluate regularly and continuously the threats and opportunities faced to avoid the danger of business bankruptcy.
c. Periodically and continuously improve the quality of business actors at various levels to act intelligently in accordance with the rules of law and morality.

By paying attention to the problems, research questions and research objectives mentioned above, the benefits of this research can be grouped into two different but related domains, namely academic benefits, and practical benefits as follows.

a. The academic benefit of this research is that it helps increase academic reasoning intelligence to appreciate theoretical ideas regarding governance, risk and compliance to guide behavior in acting correctly and well. Understanding of Good Corporate Governance is the basis for anticipating risks in behavior business so as not to make someone fall as a professional in their work so that they are qualified to comply with legal principles and moral behavior. Through this research, professionals learn to respect decision making as a manifestation of personal integrity and social responsibility in performing their duties.
b. The practical benefit of this research can be used as a handling for business actors as professional workers not to be trapped in the same mistakes that cause harm to themselves, professional organizations, and society.

Findings in this research can be used by related parties to develop further research (Hayati, 2023). The findings targeted in this qualitative research are the revelation of the principles of governance, risk anticipation and compliance as conditions for maintaining the life and sustainability of the business. Only by paying attention to business requirements, the goals of the business entity can be worthwhile. The benefits from this research can be a consideration for policy makers, business actors, or the wider community in taking actions for decision making in business governance, risk anticipation, and compliance to care for the life and sustainability of business entity (Aziz, 2023).

2. ETHICAL THEORIES

This research takes moral principles as a theoretical basis for understanding professional behavior in business. Crises that hamper life and business continuity occur because superiors arbitrarily order actions that violate governance, risk anticipation, and obedience to subordinates. The reasons for this abuse are varied: greed, corruption, fraud, and egoism.

There are various kinds of ethical theories. Ethical theory is a theory that discusses the principles, values, and norms that regulate human behavior whether it is good or bad, right, or wrong, fair, or unfair. Ethical theory seeks to answer questions such as: What makes an action ethical? How do we determine ethical standards? How do we apply ethics in everyday life? (Ghillyer, 2012; Weiss, 2021).

There are ethical theories put forward by experts in various fields such as business ethics, environmental ethics, professional ethics, media ethics, and others, interconnects one to another ((Weiss, 2021); Putri&Gischa,2021). In the context of scientific research, the theoretical basis includes various concepts, theories and principles that form the basis of understanding a phenomenon ((Bertens, 1987),(Bertens, 2000); (Boatright, 2003); (Weiss, 2021); (Ghillyer, 2012). Teleology is an ethical theory that emphasizes goals as achievements that must be prioritized. In the form of utilitarianism, teleology emphasizes utility as the goal of acting ethically in the form of results obtained in business as the greater the better. The danger of this utilitarian behavior is that it easily falls into the behavior of the ends justifying the means. Pragmatism is another form of teleological ethics that emphasizes easy and practical ways to achieve results rather than long paths that require energy and time.

a. Deontology is another ethical theory that emphasizes the conformity of actions with the agent's free will. In this ethical theory, individual free will becomes an unconditional command as a right, obligation, and justice.
b. An ethical theory that also has a strong influence in shaping the character of the person doing the work is virtue ethics. In this ethical theory, behavior is a habit from family, community, and society education. According to the theory of virtue ethics, acting ethically means acting wisely, bravely, fairly, and being able to control oneself. Regardless of the positive and negative sides of each ethical theory, Aristotle (1995, 2001) said that ethics teaches doing well and avoiding evil. For Aristotle, what is good, and evil is the result of each person's digestion of cultural experience, education, and the noble traditions that live in society therefore the science of the good for man is politics (Aristotle, 384BC). Reflections and arguments regarding morality

confirm what is held in society as values that must be conducted by anyone as a rational being. Following Aristotle, (Bertens, 2000) and (Hartman et al., 2011). Confirm that what society rationally accepts as morality through education is a guidance to life. Laws must therefore be the manifestation of morality to create justice.

2.1. Personal Integrity and Social Responsibility

In business, decision making is required by a good understanding of governance, risk, and compliance. The theory of decision making in business entities is a theory that explains how business entities can choose actions or strategies that best suit their goals, resources, and business environment. This theory covers various aspects, such as processes, types, factors, models, and decision-making criteria (Ghillyer, 2012; Weiss, 2021). The decision-making process in a business entity includes steps such as identifying problems, determining goals, gathering information, compiling alternatives, analyzing alternatives, selecting alternatives, implementing decisions, and evaluating decisions. Types of decision making in business entities are based on the level of difficulty, level of involvement, level of certainty, and level of responsibility. For example, there are routine decisions, strategic decisions, individual decisions, group decisions, definite decisions, uncertain decisions, authoritative decisions, and participative decisions. The decision-making model in business entities is a framework used to assist business entities in making optimal choices. Popular models of decision-making are the rational model, bounded rationality model, incremental model, garbage can model, political model, and intuition model. Therefore, decision making criteria in business entities are measures or standards used to assess the quality and effectiveness of decisions. Commonly used criteria in decision-making are personal integrity and social responsibility (THABRONI, 2022).

2.2. Good Corporate Governance

GRC stands for Governance, Risk, and Compliance that plays a pivotal role in the field of Good Corporate Governance (GCG). The Open Compliance and Ethics Group (OCEG) in 2002 is a global nonprofit organization and community that plays a pivotal role in the field of Governance, Risk Management, and Compliance (GRC). OCEG's main job revolves around advancing the careers of GRC professionals, promoting ethical practices, and shaping a world where organizations and individuals can reliably achieve their objectives while maintaining integrity. GRC is the integrated collection of capabilities that enable an organization to achieve Principled Performance - the ability to reliably achieve objectives, address uncertainty, and act with integrity. Therefore, GCG explains how organizations can manage three important aspects of their business operations, namely governance, risk, and compliance (Tarantino, 2008). This theory proposes that organizations must integrate these three aspects in one coordinated framework, so that they can achieve their business goals more effectively and efficiently, while minimizing risks and meeting legal and standard requirements.

a. Governance is a set of policies, rules, or frameworks that an organization uses to achieve its business goals in an ethical, transparent, and accountable manner.
b. Risk is the possibility of an event or situation occurring that could disrupt the achievement of business goals, both from internal and external factors.
c. Compliance is the act of following the regulations, laws and standards that apply to an organization, whether set by the government, industry bodies or internal policies.

GRC emphasizes the importance of coordination and collaboration between various functions and units in an organization, such as management, audit, finance, IT, law, etc., in implementing governance, risk management and compliance. In this way, organizations can avoid duplication, inconsistency or conflict in their business processes and decisions, and improve their performance, quality, and reputation. GRC theory emphasizes the relationship between moral principles and business sustainability. For ethics and business are two things that are interrelated and influence each other. Ethics are principles that regulate human behavior based on good or bad, right, or wrong, fair, or unfair. Business is an activity aimed at creating, exchanging, and distributing goods and services that have value for customers, owners, employees, and society.

Burke, 1994 explains further the relationship between ethics and business as follows. As a foundation of business, ethics provides guidelines for businesses activities in accordance with the moral standards that apply in society. For him, ethics can help businesses to build reputation, trust, loyalty, and reliable performance. As a business challenge, ethics raises various dilemmas and conflicts for businesses because businesses must consider various interests and the impact of the decisions taken. Ethics also requires businesses to adapt to environmental, legal, technological, and cultural changes that affect moral standards. As a business opportunity, ethics provides opportunities for businesses to create added value, innovation and differentiation that can increase competitiveness and market advantage. Ethics also provides opportunities for businesses to contribute to social, environmental, and economic well-being.

Based on Burke explanations about the relationship between ethics and business, ethical decision making can be developed and understood through the following steps ((Hartman et al., 2011), (Weiss, 2021); (Ghillyer, 2012))

a Determine the facts - what, who, where when and how.
b Determine the ethical issue - what the moral problem or question is.
c Identify key principles, rules, and values - what are the relevant ethical standards or standards.
d Determine alternatives - what options or solutions are available.
e Evaluate alternatives - how each alternative conforms or does not to ethical principles, rules, and values.
f Choose an alternative - which alternative is the most ethical and beneficial for all parties involved or affected.
g Implementing decisions - how to implement selected decisions effectively and efficiently.
h Evaluate decisions - what are the results and impact of decisions taken on goals, performance, and ethical responsibilities.

2.3. Professional Ethics Theory

Business is a profession. A profession is a type of work or vocation that requires specialized education, training, or skill. It is based on a body of knowledge derived from research, education, and training at a high level. It aims to provide objective counsel and service to others, for direct and definite compensation, apart from other business gain. It is also governed by ethical standards that require behavior and practice beyond personal moral obligations. It is recognized and accepted by the public as having special knowledge and skills. Abbott, 1981 views professions as having jurisdiction over the right to carry out tasks with different possessions vying for control of jurisdiction over tasks. (Abbott, 1981) explores the intricate dynamics of professional status and the tensions that arise within various occupational groups. Professionals and nonprofessionals tend to assign different status levels to the various sub-specialties within a profession. This divergence arises due to their distinct bases for prestige assignment. Intra-professional status (status within the profession) is often shaped by excluding nonprofessional issues or irrelevant professional matters in specific cases. Public status, on the other hand, depends on effective engagement with disorder or nonordered. Abbott's work sheds light on the intricate interplay between professional status, public perception, and the dilemmas faced by occupational groups.

A profession is a field of work that has been successfully professionalized. It can be defined as a disciplined group of individuals, professionals, who adhere to ethical standards and who hold themselves out as and are accepted by the public as possessing special knowledge and skills in a widely recognized body of learning derived from research, education, and training at a high level, and who are prepared to apply this knowledge and exercise these skills in the interest of others (Abbott, 1983).

Professions tend to be autonomous, which means they have a high degree of control of their own affairs: "professionals are autonomous insofar as they can make independent judgments about their work". It means "the freedom to exercise their professional judgement." Autonomy is therefore embracing not only judgement, but also self-interest and a continuous process of critical evaluation of ethics and procedures from within the profession itself.

Professional ethics ((Abbott, 1981), (Abbott, 1983)) refers to the connection between ethics and profession. Ethical compliance is adhering to ethical standards. This involves more than just following rules; it's about internalizing principles that guide professional behavior. Profession as compliance describes the profession as a form of compliance as an intriguing perspective. It suggests that professionals voluntarily align themselves with societal norms and values. Ethics is not coercion or regulation. Professional ethics emphasizes that this compliance arises from a genuine commitment to ethical principles. Again, Abbott's exploration sheds light on the intricate interplay between professional ethics, status, and collective norms within occupational groups

2.4. Difference between Occupation and Profession

Occupation is an activity undertaken by the person to earn his livelihood. It can be business, profession, or employment that a person undertakes to make money. The thinking that presents occupation and profession as synonymous concepts is not correct. Occupation refers to the kind of economic activity endeavored by a person regularly for earning money. When someone engages or occupies himself in any economic activity then that activity is known as their occupation. Example: Drivers, shopkeepers, a government servant, clerks, accountants, et cetera. An occupation does not necessarily require specialized schooling in a particular stream. The following categories help us in understanding the difference between occupation and profession.

a. Business: When a person is engaged in any trade, commerce, or manufacturing activities. He/she is said to be doing business as a businessperson.
b. Employment: The occupation in which a person works for others and gets a fixed and regular income is employment.
c. Profession: The occupation in which a person renders services to others, by applying his knowledge and skills is a profession.

A profession is an activity that requires specialized training, knowledge, qualification, and skills. It involves membership of a professional body, and a certificate of practice. The individuals who undertake the profession of rendering personalized services need a certain code of conduct, set up by the respective body.

A profession is an occupation, for which a person must undergo specialized training or internship in the concerned area. The main objective of the profession is to render services to those who need them. The profession is set by a professional body or statute. A professional is a person who must pursue higher studies and qualify for the exam conducted by the governing body. Normally, a professional is an expert in his field. Therefore, the professionals must follow ethical codes to ensure uniformity in their work. Example: Doctors, Engineers, Lawyers, Chartered Accountant et cetera.

Through a thought-provoking work, Abbott delves into central questions about the role of professions in modern life such as (1) why should there be occupational groups controlling expert knowledge?, (2) where and why did groups such as law and medicine achieve their power?, and (3) will professionalism spread throughout the occupational world? Rather than researching one profession at a time, Abbott takes a holistic approach, considering the system of professions as a whole. Through comparative and historical analysis of professions in nineteenth- and twentieth-century England, France, and America, he constructs a general theory of how and why professions evolve. Abbott explores the concept of jurisdiction, the link between an occupation and its work, and discusses internal and external cultural and social forces shaping this system. His approach is illustrated through detailed histories of contested jurisdictions in areas such as information, law, and psychotherapy. (Abbott, 1981)

An activity performed by a person normally for monetary compensation is known as the Occupation. Profession refers to a vocation, in which a high degree of education or skills is the priority. Unlike occupation, the profession has a code of conduct. Occupation does not require any sort of training in a particular field, but the profession requires specialization in a specific area, and that is why training is necessary. In general, the profession is regulated by a particular or professional body statute while an occupation is not.

A person doing occupation gets paid for what he produces, whereas a profession gets paid according to his knowledge and expertise. The profession is also an occupation when the person is paid for utilizing his skills and expertise. A professional is independent, i.e. his work is not influenced by any external force. Conversely, there is a lack of independence in the profession because the person performing the occupation must follow the commands of his supervisors.

There are some responsibilities which are associated with the profession. However, an occupation is not backed with such responsibilities. The basic pay in the profession is normally higher than in the occupation. The professionals are respected by people and have a high status in society as compared to the occupation.

After the above discussion, it can be said that the occupation is a broader term, and it includes profession. While occupation also includes those jobs that are ordinary and hence, they don't get high recognition from the society, Professionals are mainly known by their jobs, and that is why they receive a high level of respect and recognition from the society.

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Professionals are required to have a strong understanding of work and more than just work, professionals are required to place an understanding of work in a field that is specifically carried out as a profession as shown in the following table.

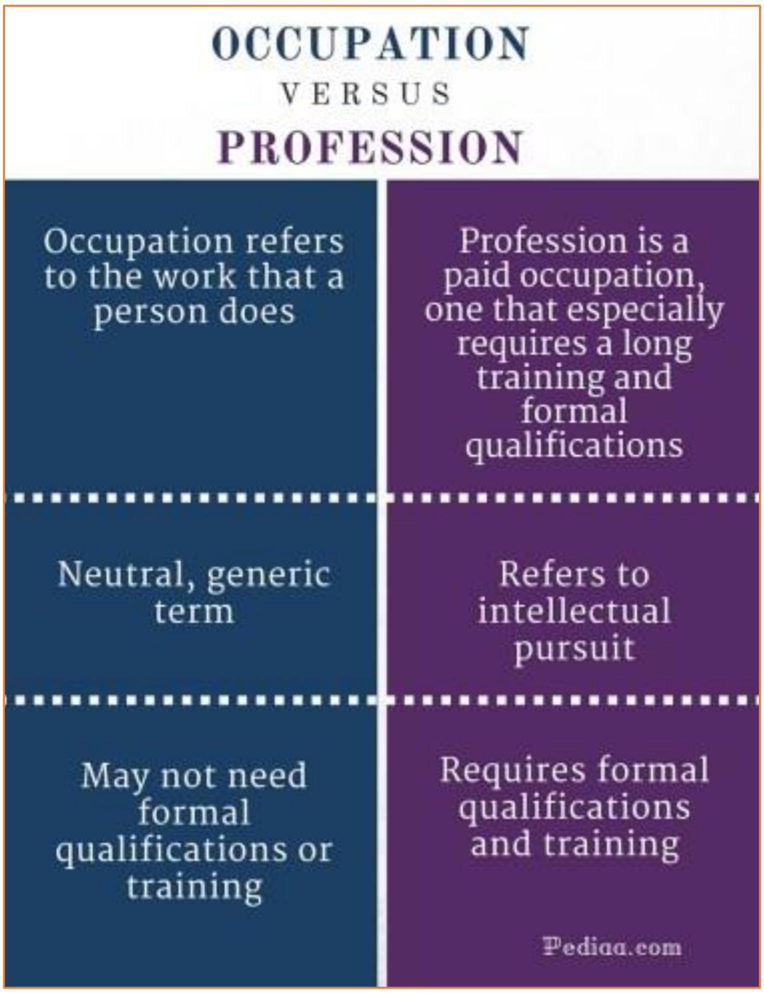

Figure 1. Difference between Occupation and Profession. Posted to Difference between Occupation and Profession | Definition, Meaning, Examples (pediaa.com)

Source: (Surbhi, 2018).

2.5. Conceptual Framework

The term business refers to an organization or enterprising entity engaged in commercial, industrial, or professional activities. Businesses range in scale and scope from sole proprietorships to large, international corporations. The purpose of a business is to organize some kind of economic production of goods or services and plan it so that it remains alive and sustainable.

There are several conditions that must be met in business activities to realize goals. These requirements are moral principles expressed in systems of governance, risk anticipation and compliance. If these conditions are met, business goals will be achieved in the form of transparent, objective, and accountable practice. Economics as the implementation of ethics aims to achieve household welfare at the family, community, society, or state level. Thus, business entities cannot be separated from politics and social justice.

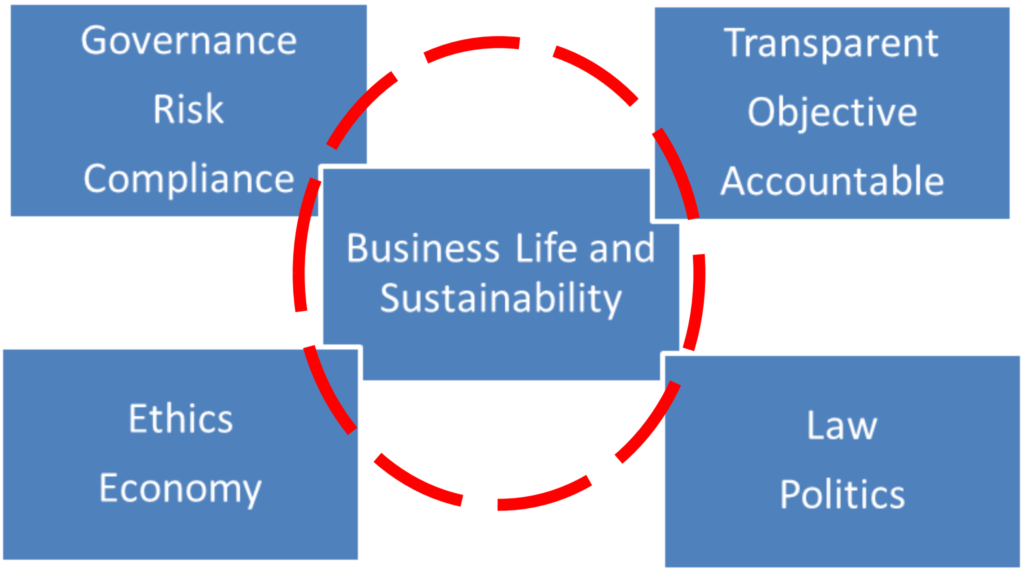

Figure 2.

3. METHOD

This research methodology ((Williams, 2007); (Muslim, 2018)) uses the interpretivist (constructivism) paradigm to understand the cases of The Top 10 Accounting Scandals and PT Jiwasraya Mega Scandal through social construction of performance in companies that ignore moral principles as a condition for achieving goals. The research approach used to address the problems of The Top 10 Accounting Scandals and PT Jiwasraya Mega Scandal is qualitative using the case study method.

The data in research comes from various document sources in print media such as books, journals, reports, letters, and archives considering that it is not easy to obtain primary data from sources in both groups of companies. The data grouping is tabulated according to violations committed by both groups of companies so that it can provide meaningful information regarding fake earnings as an ethical problem for which adequate solutions can be found. By grouping ethical violation data referred to from various sources, it is then narrated in the discussion to provide a solution.

The two tables below were created by the research team based on GRC violations in the Top 10 Accounting Scandals (3.1) and PT Jiwasraya Mega Scandal (3.2.) for analysis and discussion. Analysis and discussion based on fake earnings, ethical problems, and solutions to show the weaknesses that produce scandals and threaten life and sustainability of business. Findings in analysis and discussion of the problem of this research may help in formulating the conclusion of this research.

3.1. GRC Violation Data on Top 10 Accounting Scandals

3.1. GRC Violation Data on Top 10 Accounting Scandals

1.	Waste Management, 1998	Fake Earnings	Ethical Problem	Solution	Source
	Sustainability and Environmental Services	1.7 billion USD	Financial Disaster	1.Clear distinction about Occupation and Profession	sec.gov (2000, June21). Waste Management, Inc. Posted to http://www.sec.gov/litigation/admin/34-42968.htm
2.	Enron, 2001 (US Energy, Commodities, and services Company)	Shareholders losing (Bankruptcy of Enron and dissolution of Arthur Andersen	Pressure the company's Auditing Firm to ignore the issue	2.Tranparancy, Objectivity, Accountability (Responsibility)	Segal, T (2023, December 22). Posted to https://www.investopedia.com/updates/enron-scandal-summary/
3.	Worldcom, 2002 (American Telecommunication Company)	Fraudulent Accounts	Conspiracy and Filing false documents	3.High degree of knowledge, expertise in specific field	House Hearing, 107 Congress (2002, Mach 21). WorldCom, Inc. 2002. 263 F. Supp. 2nd 745.Posted to https://www.govinfo.gov/content/pkg/CHRG-107hhrg78601/html/CHRG-107hhrg78601.htm
4.	Tyco, 2002 (US Blue-chip Security Systems Company	Questionable Accounting Practices	Class-action, abuse of power, authority and positions from the higher ups.	4. Due procedure: code of conduct	Adi, R. (2014). Corruption: Unethical practices of corporate executives- A case study of Tyco International. Nottingham-my.Posted to https://www.academia.edu/8336259/Corruption_Unethical_practices_of_corporate_executives_A_case_study_of_Tyco_International
5.	Healthsouth, 2003 (US Publicly Traded Healthcare Company	Bribing	CEO was abusing power, the company manipulated financial records, key individuals fraudulent engaged activities	5. Well-trained is compulsory	Lupica, C (2014, November 24). HEALTHSOUTH, INC.: A CASE OF CORPORATE FRAUD. Posted to https://stakeholder11.wordpress.com/2014/11/24/healthsouth-inc-a-case-of-corporatefraud/
6.	Freddie Mac, 2003, The Federal Home Loan Mortgage Corporation	Misstated earnings	Manipulating its investments to prioritize more profitable middle class mortgages	6.Basis of pay: skill and knowledge	The Associated Press (2007, Sept. 28). Freddie Mac settles accounting-fraud charges. Posted to https://www.nbcnews.com/id/wbna21027918
7.	AIG, 2005 (American Int Group (US Multinational Insurance Firm	Stock price manipulation, a massive accounting fraud	Overstated their earnings which fall into unethical financial reporting practices	7.Update in science and technology	Fong, M., et al. AIG Presentation. Posted to https://are.berkeley.edu/~sberto/AIG.pdf
8.	Lehman Brothers, 2008, a global financial firm	Hidden loan about 50 Billion USD	The lack of management control and the failure to give out objective findings from external party.	8. Independent in doing the right things	Callaway, D (2009, September 9). History will judge Lehman mistake harshly. Posted to History will judge Lehman mistake harshly - MarketWatch
9.	Bernard L. Madoff, 2008, American Stockbroker, the biggest Ponzi Scheme in the history	Accounting Scandal	deceiving investors	9.GRC: a structured way to align IT with business goals while managing risks and meeting all industry and government regulations.	Chen, J. (2024, March 20). Ponzi Schemes: Definition, Examples, and Origins. Posted to https://www.investopedia.com/terms/p/ponzischeme.asp
10	Satyam, 2009, Indian IT Services	Inflated revenue	Fraud, conspiracy, falsification of records	10. Reduce risks and costs (duplication of effort)-cooperation	Knowledge at Wharton Staff (2009, January 9). Scandal at Satyam: Truth, Lies and Corporate Governance. Posted to https://knowledge.wharton.upenn.edu/article/scandal-at-satyam-truth-lies-and-corporate-governance/

Figure 3.

Source: Summary made by the Research Team

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3.2. GRC Violation Data on the Jiwasraya Mega Scandal

3.2 GRC Violation Data on the Jiwasraya Mega Scandal

		Fake Earnings	Ethical Problem	Solution	Source
1.	PT Danawibawa Manajemen Investasi atau Pan Arkadia Capital (DMI)	1.7 billion USD	Financial Disaster, exceeding transaction limits, providing information, promising guaranteed returns	1.Clear distinction about Occupation and Profession	Puspadini (2023, August 21) CNBC Indonesia. Terlibat Skandal Jiwasraya, OJK Sanksi Pan Arcadia Capital Posted to https://www.cnbcindonesia.com/market/20230821090727-17-464544/terlibatskandal-jiwasraya-ojk-sanksi-pan-arcadia-capital
2.	PT OSO Manajemen Investasi (OMI)	Responsible of accepting illicit earnings.	Illegal association and mismanagement	2.Tranparancy, Objectivity, Accountability (Responsibility)	Ayyubi, S.Al (2020, June 27) OSO Manajemen Investasi Terima Rp521,1 Miliar Terkait Dugaan Korupsi Jiwasraya. Posted to https://market.bisnis.com/read/20200627/92/1258377/oso-manajemen-investasi-terima-rp5211-miliar-terkait-dugaan-korupsi-jiwasraya.
3.	PT Pinacle Persada Investasi (PPI)	Receive flows of funds resulting from corruption.	Fine of IDR 1 billion	3.Improve the internal control system.	Sutiawan, I (2022, April 7). JPU Tuntut PT Pinnacle Persada Investama Dipidana Denda Rp75 Miliar terkait Jiwasraya. Posted to https://www.gatra.com/news-540401-hukum-jpu-tuntut-pt-pinnacle-persadainvestama-dipidana-denda-rp75-miliar-terkait-jiwasraya.html
4.	PT Milenium Danatama (MD)	Questionable Accounting Practices	violating regulations related to Repurchase Agreement transactions, lacking authorized personnel for such transactions, failing to obtain consent and provide regular reports to clients	ensuring compliance with POJK Nomor 9/POJK.04/2015, including properly documenting Repurchase Agreement transactions, appointing a director or employee with the authority for Repo transactions, and obtaining customer consent and providing regular reports as per regulations.	Faridah, S (2022, November 29). Kasus Pelanggaran Administratif Di Pasar Modal By Siti Faridah. Posted to https://yuklegal.com/en/kasus-pelanggaran-administratif-di-pasar-modal/
5.	PT Prospera Aset Manajemen (PAM)	corruption	Obtain fines and revocation of permits for SPSS and PDB mutual fund products.	5. Accountability and responsibility	Saputra, A (2022, December 26). Terdakwa PT Prospera Divonis Bayar Rp 11 M di Kasus Jiwasraya. Posted to https://news.detik.com/berita/d-6481309/terdakwa-pt-prospera-divonis-bayar-rp-11-m-di-kasus-jiwasraya.
6.	PT MNC Aset Manajemen (MNCAM)	Violates the rules because it exceeds the investment instrument ownership limit.	Influenced by certain interests.	6.Create compliance policy and corporate conduct.	MARKET - dob, CNBC Indonesia (2020, June 25). Jadi Tersangka Korupsi Jiwasraya, iniPenjelasan MNC Asset. Posted to https://www.cnbcindonesia.com/market/20200625170834-17-168076/jadi-tersangka-korupsi-jiwasraya-ini-penjelasan-mnc-asset
7.	PT Maybank Aset Manajemen (MAM)	corruption	Fined and sentenced to pay compensation.	7.The company adheres to the principles of a code of ethics and ensures compliance.	Saputra, A (2022, October 25). Banding, Maybank Asset Management Tetap Divonis Bayar Rp 1 M Kasus Korupsi Posted to https://news.detik.com/berita/d-6367514/banding-maybank-asset-management-tetap-divonis-bayar-rp-1-m-kasus-korupsi
8.	PT GAP Capital (GC)	Hidden loan about 50 Billion USD	Corruption, embezzlement, and mismanagement of funds	8. Independent in doing the right things	Dirhantoro, T (2021, May 31). Kasus Jiwasraya, 13 Korporasi Didakwa Korupsi dan Cuci Uang Hingga Rugikan Negara Rp10 Triliun. Posted to https://www.kompas.tv/nasional/179203/kasus-jiwasraya-13-korporasi-didakwakorupsi-dan-cuci-uang-hingga-rugikan-negara-rp10-triliun?page=all
9.	PT Jasa Capital Aset Manajemen (JCAM)	Fraud by creating an underlying portfolio.	Detrimental to state finances.	9. Adhere to the principles of business ethics.	Ayyubi, S. Al (2020, September 28).Kasus Jiwasraya, Kejagung Periksa Lagi Dirut Jasa Capital Asset Management Rudolfus Pribadi Agung Sujagad mewakili tersangka korporasi PT Jasa Capital Asset Management. Posted to https://kabar24.bisnis.com/read/20200928/16/1297740/kasus-jiwasraya-kejagung-periksa-lagi-dirut-jasa-capital-asset-management.
10.	PT Pool Advista (PA)	Corruption	Poor management and lack of risk assessment	10. Reduce risks and costs (duplication of effort)-cooperation	**Sidik, S(2020, June 26) Jadi Tersangka Jiwasraya, Pool Advista Sulit Jual Reksa Dana** .Posted to https://www.cnbcindonesia.com/market/20200626131925-17-168282/jaditersangka-jiwasraya-pool-advista-sulit-jual-reksa-dana
11.	PT Corfina Capital (CC)	Illicit gains obtained by PT GC	Money laundering, complicity in causing substantial financial losses	11. Enforcing these legal consequences to hold the companies accountable for their involvement in corruption and money laundering activities	Kanal Sembilan (2023, December 22). Sanksi Administratif Terhadap PT Corfina Capita. Posted to https://ojk.go.id/id/berita-dan-kegiatan/pengumuman/Pages/Sanksi-Administratif-Terhadap-PT-Corfina-Capital.aspx
12.	PT Trizervan Investama Indonesia (TII)	fraudulent practices and mismanagement of investments	abuse of authority, fraudulent investment practices, exceeding ownership limits	12. Enhance governance, enforce investment guideline	Sidik. S (2020, July 08). Modus Fraud Jiwasraya: Saham 'Gurem' hingga Borong Reksa Dana. Posted to https://www.cnbcindonesia.com/market/20200708161725-17-171211/modus-fraudjiwasraya-saham-gurem-hingga-borong-reksa-dana
13.	PT Sinarmas Aset Manajemen (SAM)	Misappropriation of law and questionable business practices	Corruption and money laundering schemes	13. Ensure compliance with applicable company regulations.	Saputra, A (2023, May 04). MA Putuskan Sinarmas Asset Management Terbukti Korupsi Jiwasraya. Posted to https://news.detik.com/berita/d-6703660/

Figure 4.

Source: Summary made by the Research Team

4. DISCUSSIONS AND RESULTS

4.1. The Top 10 Accounting Scandals

The following is a presentation of the profiles of ten companies dubbed the perpetrators of the Top 10 Accounting Scandals.

1. Waste Management was founded in 1992. It is a company that operates in the field of collecting, moving, recycling, and disposing of waste in public areas and residential areas. Errors in financial recording and audit decisions at the Waste Management, Inc. Company from 1992 to 1997 were about fraud in financial statements known as 'alignment' to make reported results look better than they are. The alignment eliminated approximately $490 million.
2. Enron was founded in 1985 and became a major player in the electricity, natural gas, communications, and paper pulp industries. Enron's annual revenues shot up from about $9 billion in 1995 to more than $100 billion in 2000. However, in late 2001, the scandal caused Enron's stock price to suddenly plummet from $90 per share in mid-two thousand to less than $1 per share in late 2001, resulting in shareholders losing $11 billion.
3. WorldCom was founded in 1983. Before the scandal occurred, on April 12, 2002, WorldCom operated in more than sixty-five countries. On June 25, 2002, the company issued a press release announcing the company's intention to repeat its 2001 and first quarter 2002 financial reports. The press release stated that this repetition was due to the company's failure to follow GAAP (Generally Accepted Accounting Principles).
4. Tyco International was founded in 1960 as an American blue-chip security Systems Company based in Princeton, New Jersey. Tyco received great attention for its use of high-tech materials science and energy conservation products and by 1970 Tyco had reached the gates of their rapidly growing success. It was 2002, when Dennis Kozlowski and Mark Swartz, Tyco's current CEO and CFO, were guilty of inflating the company's revenues and stealing $150 million.
5. HealthSouth was founded in 1985. It was well-known as one of the largest public health care employers in the United States. Specializing in outpatient medical and surgical rehabilitation services. It operates in approximately 1,900 locations in the United States, United Kingdom, Australia, Puerto Rico, Canada, and Saudi Arabia. In 2003, the company was caught red-handed committing fraud. The founder of HealthSouth, who was the mastermind behind the financial fraud. He allegedly instructed accountants and senior officials to “correct” the revenue shortfall by recording it incorrectly.
6. Freddie Mac Company is one of the world's largest issuers of securities and one of the largest purchasers of home mortgages in the US and publicly traded companies. It purchases mortgages from mortgage lenders, such as commercial banks and other financial institutions, repackaging them as securities (mortgage-backed and debt) by investors. Ignoring Financial Reports is a trap that brings down company and the punishment of company leaders.
7. American Insurance Group (AIG) is a company that used to be one of the pillars of American capitalism. The problem that reduced AIG's credibility in the eyes of the public was the accounting scandal that occurred in 2005. Based on the results of investigations from the United States Securities and Exchange Commission and the Office of the Civil Attorney General of New York, Greenberg was ousted due to the discovery of delays in preparing financial reports for 3 previous periods.
8. Lehman Brothers was founded in 1840 by 3 brothers, namely Henry, Emmanuel, and Mayer Lehman, who opened a small shop in Alabama, United States. The company was able to survive competition in the business world for more than 150 years before finally having to close their doors to the public. Seeing the success achieved in the cotton market, Lehman Brothers began to expand the scope of their business until they became a company that provided money lending services. There were 3 omissions in the code of ethics that were the reasons behind the collapse of Lehman Brothers. The greed of Lehman Brothers CEO Richard Fuld in failing to predict and consider the risks that could occur in his decision to continue financing subprime mortgages.
9. Bernie Madoff was born on April 29, 1938, in Queens, New York. Madoff could have been involved in a massive fraud investigated in 1992. Investigations conducted by private companies uncovered what they

called "inconsistencies" that looked like fraud. Investigators for years have said that Madoff's claimed profits appeared impossible to achieve. Financial analyst, Harry Markopolos, had been telling people that something was wrong.

10. Satyam was founded in 1987. It was considered the fourth fastest growing IT Company in India with 40,000 employees. The company offers information technology (IT) services covering a wide range of sectors, and listed on the NSE, BSE, New York stock exchange and Euronext. Ramalinga Raju increased cash balance by Rs 5,040 crore (compared to Rs 5,361 crore) reflected in the books. Accrued interest of Rs 376 crore is non-existent.

4.2. PT Jiwasraya Mega Scandal

1. PT Danawibawa Investment Management or Pan Arkadia Capital (DMI) was proven to have committed seven violations. One of them is promoting mutual funds by providing misleading information and promising certain returns to customers. PT Pan Arcadia Capital is deemed not to have managed the Mutual Funds as well as possible and not carried out transactions in the best conditions for the interests of the Mutual Funds, including carrying out transactions outside the exchange price range or not considering the best conditions when the transactions were carried out. PT Pan Arcadia Capital is proven to manage the Pan Arcadia Growth Stock Fund, Pan Arcadia Progressive Equity Mutual Fund, and Pan Arcadia Progressive Equity but it does not adapt the composition of the Securities portfolio in accordance with applicable regulations. Apart from imposing sanctions on companies, OJK also imposed fines on leaders in the company, namely Ruddy Raharjo as Chief Executive Officer, Tommy Iskandar Widjaja as Shareholder of PT Pan Arcadia Capital, and Irawan Gunari as Main Director and Head of the Investment Management Team.
2. PT OSO Investment Management (OMI) is suspected of having received funds resulting from corruption from PT Asuransi Jiwasraya amounting to IDR 521.1 billion out of a total of IDR 12.157 trillion. The public prosecutor (JPU) stated that the OSO Management Company was legally and convincingly proven guilty. The prosecutor also imposed an additional penalty against OSO investment management in the form of confiscation of the company's assets for the state in the amount of a management fee, from the management of Jiwasraya funds, amounting to IDR 6.50 billion. Another additional crime in TPPU is the dissolution of Investment Management OSO.
3. PT Pinacle Persada Investasi has obtained a business license from the OJK based on decision letter no KEP-37/D.04/2015 dated 4 June 2015. Built under the auspices of Ares Quantum Capital as the predecessor company. The team of Public Prosecutors (JPU) from the Central Jakarta District Attorney (Kejari Jakpus) demanded that the defendant PT Pinnacle Persada Investama pay a fine of IDR 1 billion and IDR 74 billion or IDR 75 billion because they were proven to have committed corruption and money laundering related to the financial management of PT Asuransi Jiwasraya (Persero) investment funds. For the criminal act of corruption, according to the prosecutor, the defendant PT Pinnacle Persada Investama was proven to have violated the first primary indictment, namely Article 2 Paragraph (1) in conjunction with Article 20 in conjunction with 18 Paragraph (2), (3) of Law (UU) Number 31 of 1999 concerning Eradication of Corruption Crimes as amended and supplemented by Law Number 20 of 2001 concerning Amendments to Law Number 31 of 1999 concerning Eradication of Corruption Crimes.
4. PT Milenium Danatama (MD) is a company that has a license to act as a securities broker (PPE). In other words, MD conducts securities buying and selling activities for the benefit of other parties or itself. However, PT Sinergi Millenium was proven to have committed several violations such as POJK regulation Number 9/POJK.04/2015 and POJK regulation Number 9/POJK.04/2015 by which PT MD manipulates the customer permission to carry out Repo Transactions on behalf of the customers without providing routine reports to the customers.
5. The Majorityera Asset Management (PAM) Yadapen Catholic Institution Pension Fund is the majority shareholder in Prospera Asset Management, with an ownership percentage of 89%, while the remainder is held by individuals. This company has authorized capital and paid-up capital of IDR 25 billion each. Since obtaining a business license as an investment manager in 2005, this company has managed 18 mutual fund products with total managed funds reaching IDR 1.52 trillion. Prospera Asset Management caused losses to state finances amounting to IDR 1.297 trillion.

6. PT MNC Asset Management (MNCAM) is an entity of the MNC Group. This company has authorized capital of IDR 300 billion and paid-up capital of IDR 75 billion. Since obtaining a business license as an Investment Manager in 2000, MNC Asset Management has managed forty-four mutual fund products with a total Net Asset Value (NAV) of IDR 4.25 trillion. On the other hand, Jiwasraya has a special investment product at MNC Asset Management, namely the MNC Sharia Mutual Fund Dana Syariah Ekuitas II (MDSEII) to accommodate investment funds from Jiwasraya. PT MNC Asset Management caused losses to state finances amounting to IDR 7, 531 billion.
7. PT Maybank Asset Management (MAM) is the result of a collaboration between Maybank Asset Management Sdn Bhd and Koperasi Jasa Mitra Anugerah Makmur. This company has authorized capital of IDR 200 billion, with paid-up capital of IDR 72 billion. Since obtaining a business license as an Investment Manager in 2002, this company has managed 47 mutual fund products with a total Net Asset Value (NAV) of IDR 6.24 trillion. On the other hand, Jiwasraya has a special investment product at Maybank Asset Management, namely the MAYBANK Sharia Equity Fund (MDES), which is specifically designed to accommodate investment funds from Jiwasraya. PT Maybank Asset Management caused losses to state finances amounting to IDR 515 billion.
8. PT GAP Capital (GC) committed criminal acts of corruption involving PT Asuransi Jiwasraya. Rudolfus as the chairperson of PT GAP Capital clarifies his testimony regarding the corruption case that caused state financial losses amounting to IDR 17 trillion. PT GAP Capital caused losses to the state amounting to IDR 448 billion.
9. Jasa Capital Asset Management (JCAM) is a Savings and Loans Cooperative and PT Jasa Prima Investa is the owner of Jasa Capital Asset Management, with share ownership of 60% and 40% respectively. Initially, Jasa Capital Asset Management offered two mutual fund products to Jiwasraya, namely the Dynamic Mixed Capital Services Mutual Fund and the Progressive Equity Capital Services Mutual Fund (JCSP). However, Joko Hartono Tirto then requested that only one mutual fund product, namely the JCSP Mutual Fund included by Jasa Capital Asset Management and caused losses to state finances amounting to IDR 226 billion.
10. PT Pool Advista (PA) is one of 13 investment management companies named as suspects in the PT Asuransi Jiwasraya (Persero) case. Director of Pool Advista Indonesia, the parent company of PAAM, Marhaendra admitted that currently his subsidiary is having difficulty selling mutual fund products because it engages in the Jiwasraya mega scandal.
11. PT Corfina Capital (CC) engages in the corruption and money laundering scandal case involving PT Asuransi Jiwasraya (Persero). Two investment management companies (MI), namely PT Pool Advista Asset Management and PT Corfina Capital must pay a fine of IDR 151 billion. Regarding PT Corfina, the prosecutor requested that the panel of judges impose a fine of IDR 76 billion, consisting of a fine for corruption of IDR 1 billion and money laundering of IDR 75 billion. The public prosecutor believes that PT Pool Advista and PT Corfina have been proven guilty of violating Article 2 Paragraph (1) together with Article 18 of the Corruption Eradication Law and Article 3 together with Article 7 of the Money Laundering Crime Law.
12. PT Trizervan Investama Indonesia (TII) is one of 13 companies involved in the corruption case at PT Asuransi Jiwasraya (Persero). Abuses include large investments made by Jiwasraya in shares with poor financial performance, even in companies that experienced losses, such as PT Inti Agri Resources Tbk (IIKP). Apart from that, another modus operandi is Jiwasraya's investment placement in fixed income mutual fund instruments exceeding 15% of Jiwasraya's total investment. In fact, based on the Minister of Finance Regulation Number 53/PMK.010/2012 concerning the Financial Health of Insurance Companies and Reinsurance Companies, a maximum investment of 15% permitted. The results of the Attorney General's investigation indicate that Jiwasraya is suspected of committing investment abuse involving 13 investment managers who violated the principles of good corporate governance, and this has caused state losses of IDR 12.157 trillion.
13. PT Sinarmas Asset Management (SAM) is a subsidiary of PT Sinarmas Sekuritas, as one of the leading securities companies and has more than 30 years of experience in the Indonesian capital market. In March 2022, PT SAM received a fine of IDR 1 billion for the Jiwasraya case and the Panel of Judges at the Corruption Crime Court decided. At that time, the Head of the Attorney General's Legal Information Center, Ketut Sumedana, said that PT SAM had been legally and convincingly proven guilty of committing a

criminal offense as stated in the second primary formal accusation and the second subsidiary formal accusation. "In this case, the state suffered a financial loss of IDR 16.8 trillion," said Ketut at the Attorney General's Office. The Supreme Court accepted the prosecutor's objection to the cancellation of PT SAM's acquittal in the Jiwasraya corruption case last year.

From the data presented in table 3.1 and table 3.2 and discussed in points 4.1 and 4.2, ethical violations were found in the form of falsifying income. This ethical violation shows weaknesses in decision making by business actors in two groups of companies nicknamed The Top 10 Accounting Scandals and PT Jiwasraya Mega Scandal. The consequences of not caring about moral principles as a condition for achieving business goals correctly and fairly result in the death of the business and the unsustainability of the business in the future. Even though accounting fraud is engineered to comply with the rules, it still violates ethical principles, namely, the decision to "do the right thing" rather than just "do things right".

5. CONCLUSION

Ten companies involved in the Top 10 Accounting Scandals and 13 companies involved in Mega Sakandal PT Asuransi Jiwasraya revealed weaknesses in understanding ethics in making business decisions. Ethics presents business requirements in accordance with the principles of governance, risk anticipation and compliance so that prudence to act transparently, objectively and accountably prevents carelessness which kills the business entity and stops sustainability. Ethics in simple terms is doing what is appropriate and preventing what is not appropriate. A derivative of ethical understanding is economics which is the ability to manage welfare. So the relationship between ethics and business shows the relationship between the conditions that must be met to realize prosperity as a goal of life in a legal and political order.@

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