

ETHICS AND CORPORATE GOVERNANCE

CHAPTER 1 ETHICS EXPECTATIONS OLEH: Dyah Cahyasari, SE, MM.



Beberapa Definisi

- **Etika**, dari bahasa Yunani *ethos*, artinya: kebiasaan atau watak
- **Moral**, dari bahasa Latin *mos* (jamak: *mores*), artinya: cara hidup atau kebiasaan /adat.
- **Norma**, dalam bahasa Inggris, *norm*, berarti aturan atau kaidah.
- **Nilai**, dalam bhs Inggris *value*, berarti konsep tentang baik dan buruk baik yang berkenaan dengan proses (instrumental) atau hasil (terminal)

ETIKA & NORMA-NORMA BISNIS

Etika Bisnis

Suatu kode etik perilaku

*Pengusaha berdasarkan nilai2
moral dan norma yang dijadikan
tuntunan dalam membuat
keputusan bisnis*

Etika

Adalah suatu komitmen
untuk melakukan apa
yang
benar & menghindari apa
yang tidak benar



Pentingnya Etika Bisnis

Etika Bisnis itu Penting

!!

Etika bisnis berperan penting dalam memberikan kepercayaan terhadap kelompok atau individu yang berkepentingan dengan jalannya perusahaan



Selain etika & perilaku yg tdk kalah penting dalam bisnis adalah norma etika berupa:

1. Hukum
2. Kebijakan & prosedur organisasi
3. Moral sikap mental individual

Prinsip etika & Perilaku

1. Kejujuran (Honesty)
2. Memegang prinsip (Integrity)
3. Memelihara janji (Promise Keeping)
4. Kesetiaan (Fidelity)
5. Kewajaran (Fairness)
6. Suka membantu orang lain (Caring for other)
7. Hormat kepada orang lain (Respect for other)
8. Warga negara yang bertanggung jawab (Responsibility citizenship)
9. Mengejar keunggulan (pursuit of excellence)
10. Dapat dipertanggungjawabkan (accountability)

Mempertahankan standar etika & tanggung jawab perusahaan

1. Cara mempertahankan standar etika

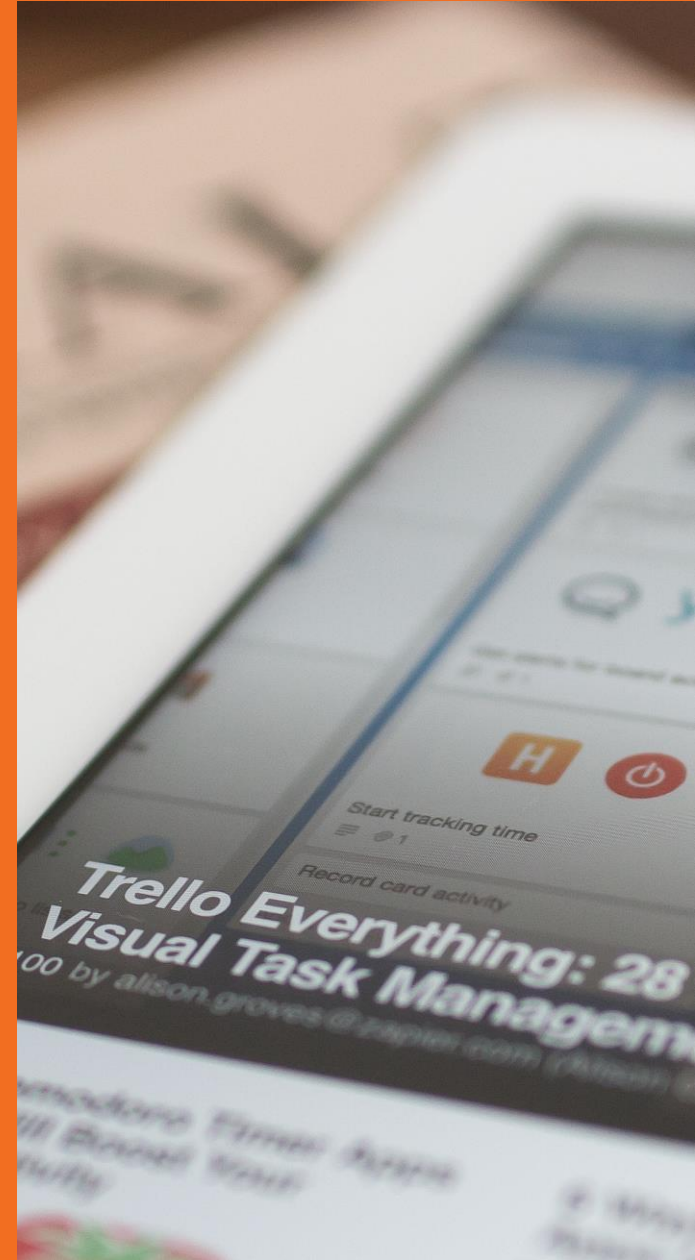
- A. Menciptakan kepercayaan perusahaan
- B. Jalankan kode etik
- C. Lindungi hak perorangan
- D. Adakan pelatihan etika
- E. Lakukan audit etika secara periodik
- F. Pertahankan standar yang tinggi tentang tingkah laku, jangan hanya aturan
- G. Hindari contoh etika yang tercela
- H. Ciptakan budaya komunikasi dua arah

2. Tanggung Jawab Perusahaan

- A. Tanggung jawab terhadap lingkungan*
- B. Tanggung jawab terhadap karyawan*
- C. Tanggung jawab terhadap investor*
- D. Tanggung jawab terhadap pelanggan*
- E. Tanggung jawab terhadap masyarakat*

INTRODUCTION

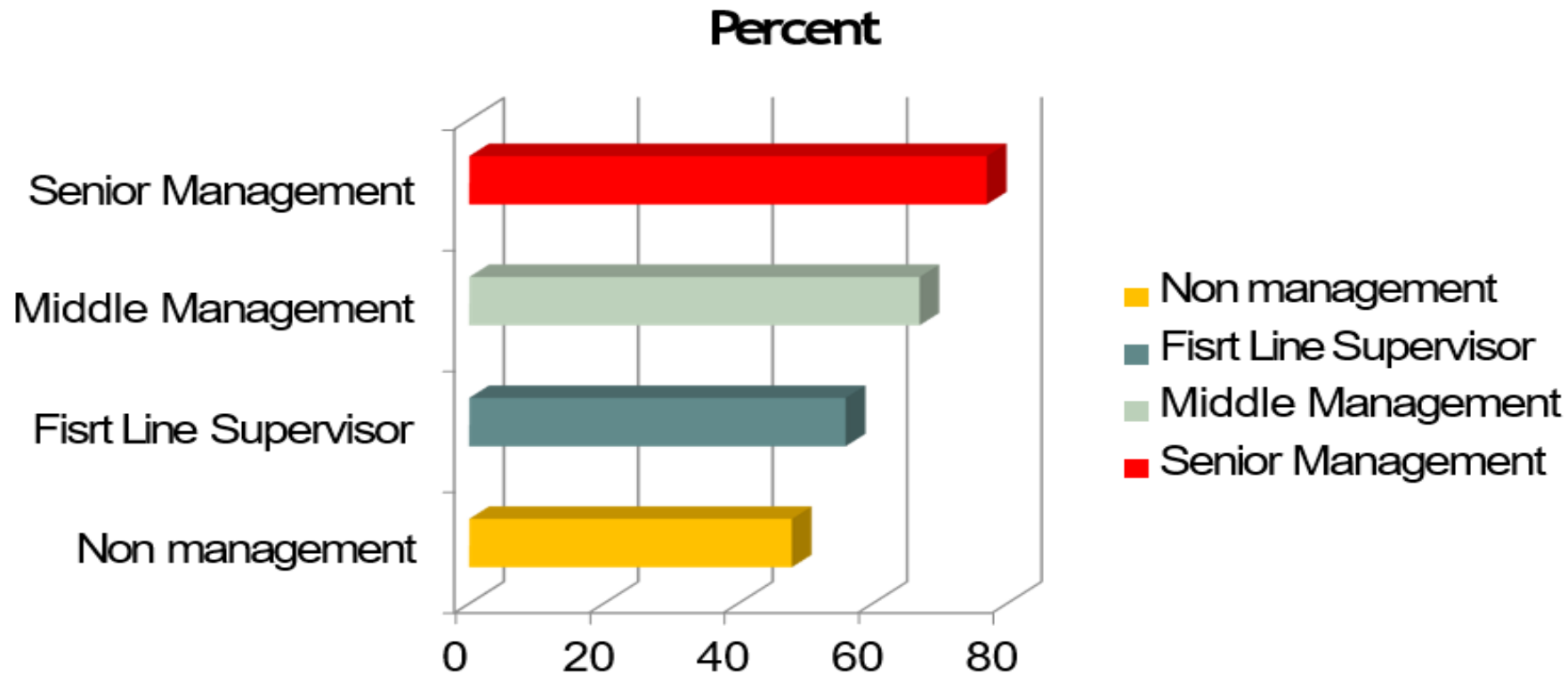
-
- Error vs Fraud
 - Employee fraud vs Management fraud
 - ethics?



TYPE OF FRAUD



Employee Reporting of Misconduct by level



DEFINITION

- business ethics is everything related to the way of conducting business activities which includes all aspects related to personal, company or society.

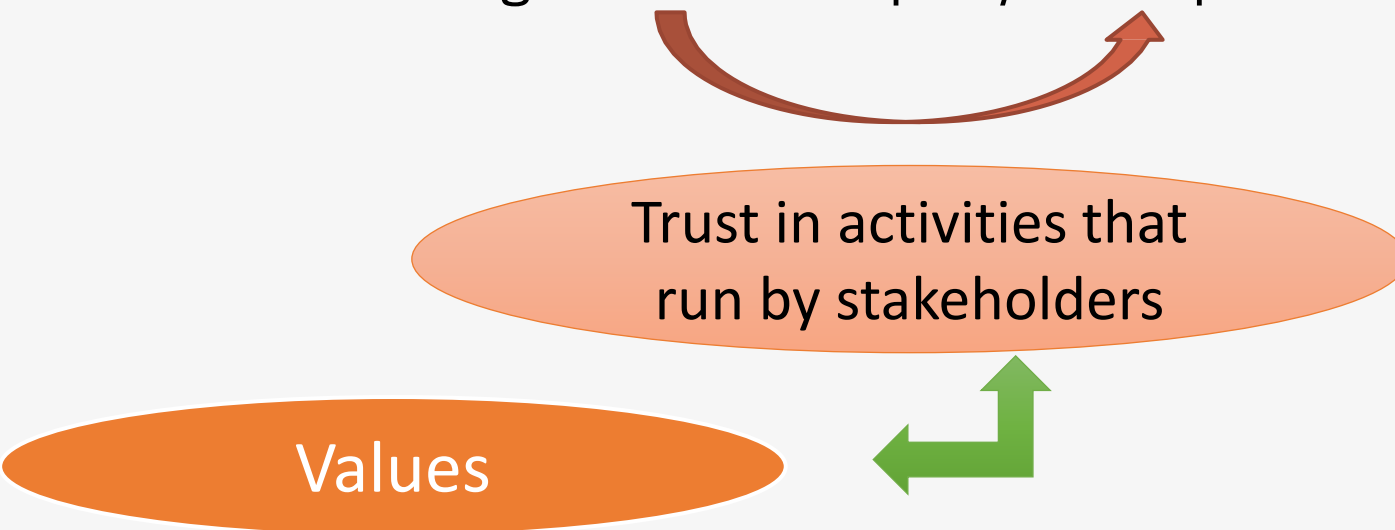


paying attention to norms and morality that apply universally economically and socially.

The Ethics Environment for Business; The battle of credibility, reputation & competitive advantage

Support for a Business:

- credibility of stakeholders
- Company reputation
- The strength of the company's competitive advantage



Factors influencing public expectations for business behavior

Unbridled greed	Subprime Lending Fiasco,, CEO overcompensation
Physical	air quality, water and safety
Moral	fair behavior, equality
Bad judgments	operational error, executive compensation, cover up failed environmental engineering
Activist stakeholders	environmental activists, investor behavior, consumers

Factors influencing public expectations for business behavior

Environmental reality	Environmental degeneration, the need for sustainability
Economic	Weakness, survival pressure to fake
Competence	Global pressure, substandard environmental engineering
Financial irregularities	Many scandals, victims of greed
Governance Failure	Recognition that good governance and ethical judgments are at risk

Factors influencing public expectations for business behavior

Accountability	Want transparency, corporate social responsibility (CSR)
synergy	Successful change publicity
Institutional strengthening	Compliance with the latest laws

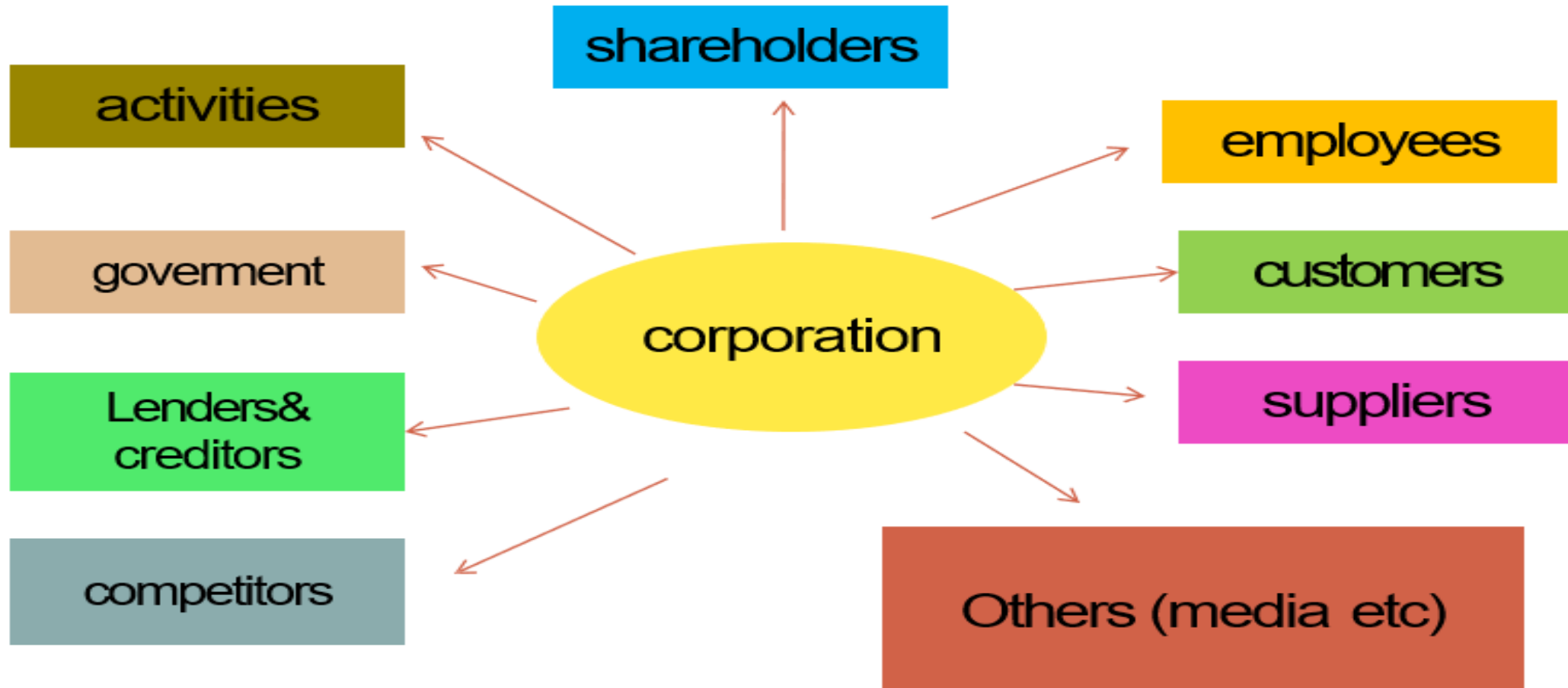
So:

- *Economic Competition* → kemampuan perusahaan tetap unggul
- *Financial malfeasance* → adanya skandal keuangan
- *Governance failures* → tatakelola keuangan tdk dipatuhi
- *Accountability* → memperluas pertanggungjawaban perusahaan
- *Synergy* → perusahaan, lembaga diluar perusahaan, media
- *Institutional reinforcement* → kepatuhan terhadap undang- undang

New Expectation for Business

- Orientation and responsibility not just profit (money)
- Performance is measured by the proper allocation of resources, and implementation of ethical business.
- New Governance & Accountability Framework.
- the functioning of professional legal & accounting institutions

Map of stakeholders accountability

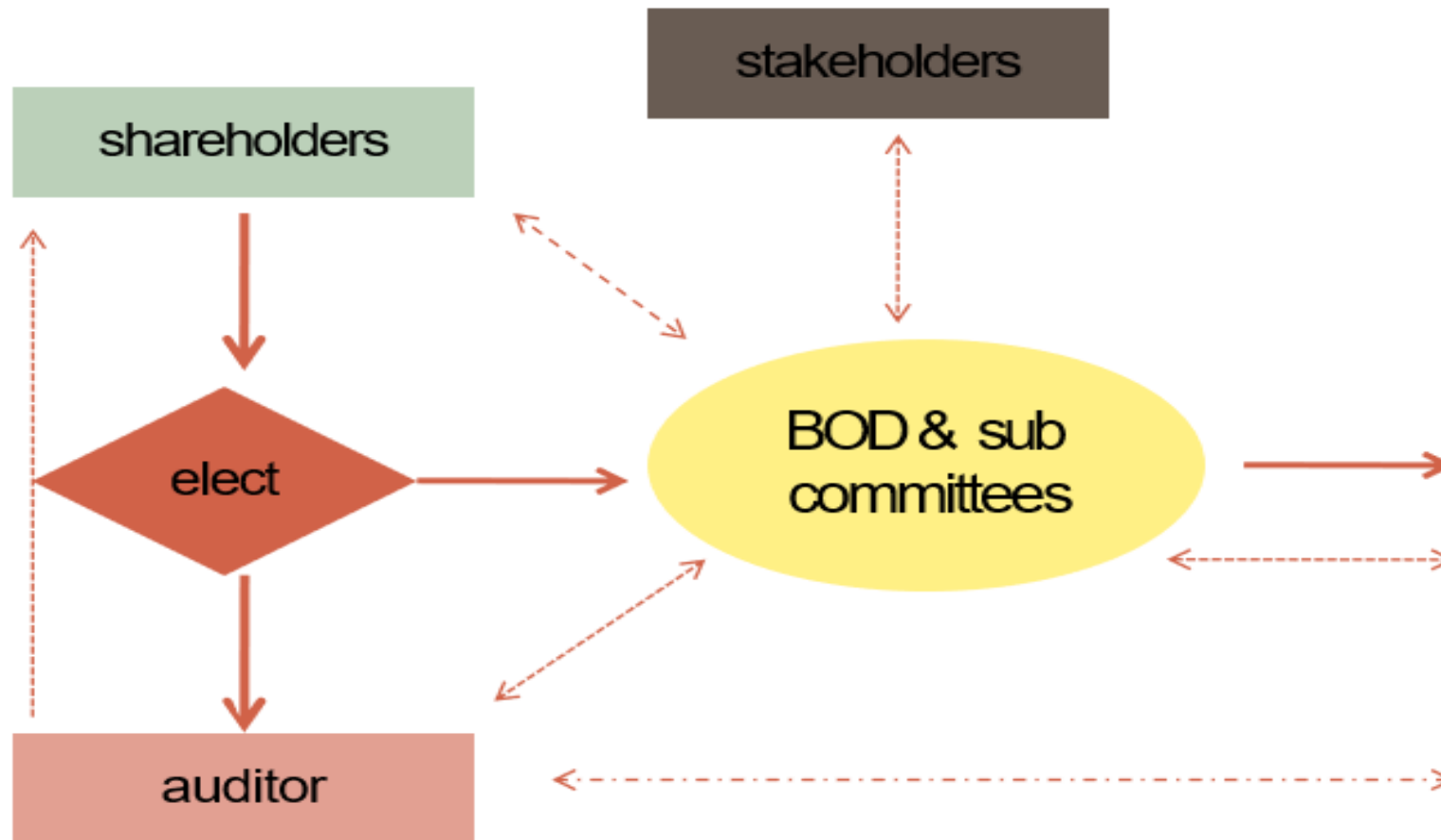


Model governance & stakeholder accountability

- Expansion of legal obligations for the company's directors (shared responsibility).
- Adequacy of internal control
- Commitment to managing risk and reputation
- Reorganization, employee empowerment
- Non-financial performance indicators
- Code of ethics, cultural ethics.

Responses & Developments

Corporate governance framework



Keyboard control functions:

- Set guidelines & boundaries: policy, Codes, Culture, compliance
- Set Directions: strategic, goals, remunerations, incentive
- Appoints CEO, CFO, etc
- Arrange for resources
- Monitoring feedback: operations, policy, financial reports
- Reports to shareholders, gov
- Nominates/decided on auditor

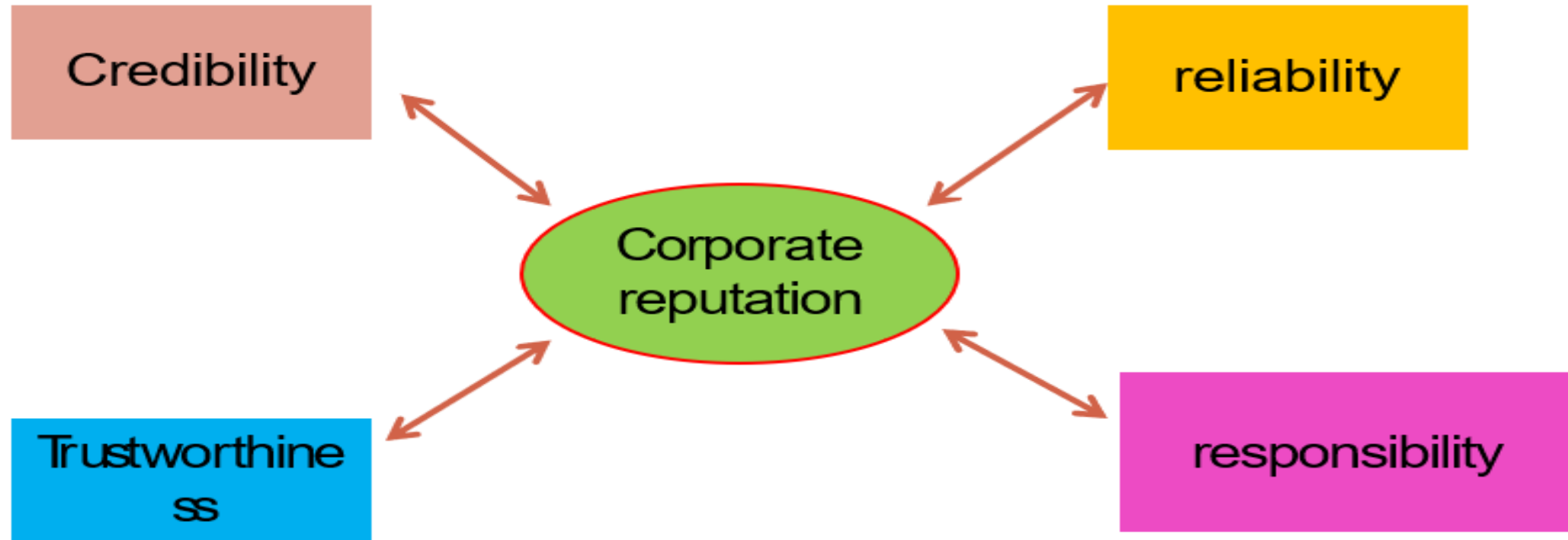
Basic values (hypernorms) affecting stakeholders – Ethical Risk

1. Honesty
2. affection
3. Predictability
4. Justice
5. Integrity
6. Responsibility

Hypernorms are values universally
respected by stakeholder groups

Responses & Developments

Determinant of reputation



RISK MANAGEMENT

- Risk is the possibility of something happening that will have an impact on the goal
- Risk management includes a culture, processes and structures that are geared towards the effective management of potential opportunities and adverse impacts
- The risk management process includes the systematic application of policies, procedures and management practices for the task of establishing context, identifying, analyzing, assessing, managing, monitoring and communicating risks.

Ethics Risk – Representative list

STAKEHOLDERS' EXPECTATIONS ARE NOT FULFILLED

ETHICS RISK

Pemegang saham

- Shareholders Theft, misuse of funds/assets
- Conflict of interest with officers
- Performance level
- Reporting transparency, accuracy

- Honesty, Integrity
- Predictability, responsibility
- Responsibility, honesty
- Honesty, Integrity

Employee

- Security
- Diversity
- Underage workers/low wage workers

- Fairness
- Fairness
- Love, fairness

Ethics Risk – Representative list

STAKEHOLDERS' EXPECTATIONS ARE NOT FULFILLED	ETHICS RISK
customer <ul style="list-style-type: none">• Security• Performance	<ul style="list-style-type: none">• fairness• reasonableness, integrity
Environmental lover <ul style="list-style-type: none">• Pollution sustainability	<ul style="list-style-type: none">• Integrity, responsibility

Ethics for Professional Accountants

- Roles & conduct

Accountants must ensure that their actions conform to ethical values/role standards to maintain credibility

- Governance

Accountants' behavior is based on an internationally accepted code of ethics.

- Service offered

Accountant services : audit / non audit

Benefits of applying business ethics

- ❑ Business ethics are needed to form a company that is strong and has high competitiveness and has the ability to create high value (value-creation).
- ❑ strategic planning, good organization, transparent system of procedures supported by a reliable corporate culture and consistently implemented corporate ethics

Benefits of applying business ethics

- Profitable for the company in the medium and long term because:
 1. Will be able to reduce costs due to preventing the possibility of friction both internally and externally.
 2. Will be able to increase the motivation of workers.
 3. Will protect the principle of freedom of commerce
 4. Will increase competitive advantage.
 5. The company earns the trust of consumers.
 6. The image of the company in the eyes of consumers is good.
 7. Company profits can be obtained.

The Philosopher's Approach to the Ethics of Behavior

- Greek philosopher, Aristotle, the purpose of life is happiness. And happiness is achieved by living life wisely.
- German philosopher, Immanuel Kant, people are ethical when they do not take advantage of others for their own welfare. Demand that others behave well while making exceptions for themselves.



The Philosopher's Approach to the Ethics of Behavior

- The British philosopher, John Stuart Mill, the purpose of life is to maximize happiness and to maximize net social benefits for all.
- American philosopher John Rawls society must be organized so that there is a fair distribution of rights and benefits.



How to Manage ethical risk

1. Shaping company culture
2. Engaging external components
3. Engaging internal components
4. Activate CSR

Factors shaping the ethical climate in the company

- The existence of a good corporate culture (ethics must be reinforced)
- trust-based organizations.
- Integration (ethical values must become a part of routines & the normal everyday activities)
- Personal commitment by senior management
- Clear Communication
- Continuous learning program

KASUS 1 : Hanya Menjual Minuman Manis

Selama bertahun – tahun, sebuah perusahaan terkenal skala nasional bernama “Rantai Donat” , menjual minuman manis di gerai ritelnya pada universitas terkemuka. Konsumsi gula diketahui berkontribusi pada penyakit seperti: penyakit jantung, kerusakan gigi, diabetes, batu ginjal dan obesitas. Meskipun masalah Kesehatan ini telah dibawa kepada masalah perusahaan beberapa kali, pelanggan diberi tahu bahwa jika mereka ingin minuman diet, mereka harus membelinya dari mesin yang dioperasikan dengan koin atau dari penjual makanan lainnya yang ada di kampus.

Oleh karena kecepatan layanan itu penting, maka banyak konsumen tidak mau berhenti untuk membeli minuman diet. Perusahaan terus menjual minuman yang mengandung banyak gula, meskipun mereka telah dilarang karena risiko Kesehatan dari pelanggan mereka yang ada di beberapa SD, RS, dan beberapa perusahaan ritel.

Adapun kadar gula dalam minuman sbb:

39 gr (10 gula batu) dalam kalemng Coca Cola dengan isi 12ons

91 gr (23,5gula batu) dalam Coca Cola dengan isi 32 onsyang diambil dalam dispenser

77 gr (19,5 gula batu) dalam botol Mountain Dewdengan isi 20 ons

46 gr (14,5 gula batu) dalam botol Snapple Iced Tea dengan isi 16 ons

48 gr (12 gula batu) dalam botol jus jeruk Minure Maid dengan isi 16 ons

Pada Maret 2013, situasinya sangat memprihatinkansehingga Michael Blomberg, yang saat itu walikota New York City, mengusulkan untuk melarang penjualan minuman ringan nondiet lebig besar dari 16 ons di New York City, tetapi kemudian

dihentikan oleh keputusan hakim Negara Bagian New York.

Ditanya:

1. Menurut anda, mengapa “Rantai Donat” terus menerus hanya menjual minuman ringan yang mengandung banyak gula meskipun berada di bawah tekanan untuk menjual minuman ringan diet?
2. Menurut anda, apakah dengan hanya menjual minuman berkadar gula tinggi itu etis?
3. Menurut anda, haruskah pejabat universitas memaksa “Rantai Donat” untuk membawa ringan diet?

KASUS 2: Tiger Woods, Menang Berarti Mengurusi Semuanya!

"Tiger Woods" yang pernah menjadi pegolf terhebat dunia, kehilangan peringkat nomor satu pada Oktober 2010, tahun yang sama Ketika pernikahannya dengan Lin Nordegren meledak Ketika istrinya mengusir dari rumah dan memecahkan kaca jendela kendaraannya dengan 9 besi. Popularitasnya merosot Ketika kisah perselingkuhannya dengan penari telanjang menjadi hal yang biasa dalam berita nasional dan cedera punggungnya membuatnya tidak dapat bersaing dalam performa terbaiknya.

Nike memutuskan hubungan Lance Armstrong setelah dia mengungkapkan menggunakan obat peningkat peformaserta dengan Oscar Pistorius setelah dia menembak pacarnya. Akan tetapi Nike tetap mengatur sponsornya dengan Tiger, dan menghasilkan pendapatan besar bagi keduanya. Namun terdapat reaksi langsung dan kritis dari banyak orang, Ketika Nike memposting iklan online pada Mei 2013 yang memuat gambar Tiger yang disematkan kutipan "*Winning Takes*

Takes Care of Everything". Lainnya tampaknya tidak keberatan dengan kesimpulan ganda yang diproyeksikan oleh iklan: bahwa tidak masalah bagaimana anda memainkan permainan golf atau permainan kehidupan, yang penting adalah jika anda menang.

Ditanya:

1. Menurut anda, apakah kemenangan dapat mengurus segalanya di dalam golf, kehidupan dan bisnis?
2. Bagaimana cara anda memainkan permainan atau menjalankan bisnis anda itu penting?
3. Apakah dampak reputasi dari perilaku tidak etis untuk bintang olahraga berbeda dengan bisnis dan diri sendiri?

THANK YOU

Referensi:

Brooks, Dunn, Business & Professional Ethics for Directors, Executives & Accountants, 8th edition, South Western, 2018.



ETHICS AND CORPORATE GOVERNANCE

CHAPTER 2

Corporate Ethical Governance & Accountability

OLEH:
Dyah Cahyasari, SE, MM.



Background?

Accountability ?

Governance ?



Corporate Governance Background

- [Skandal Keuangan Dunia](#)
- Reformasi Sarbane Okley Act (hukum federal Amerika) thn 2002
- Kesadaran bahwa reputasi Perusahaan dipengaruhi oleh perilaku/ praktek bisnis para Stakeholders.
- Indonesia → 1997 krisis ekonomi
 - Spekulasi mata uang lokal
 - Kredit macet
 - Bunga deposito melonjak
 - Ihsng anjlok
 - Bank2 dilikuidasi/merger (BBD, Bapindo, BDN, Bank Exim, bank Majapahit) → unprudential credit policy

Significant Ethics & Governance Scandals & event

- Enron- kegagalan para BOD
- Arthur Andersen – tdk dipatuhinya etika organisasi
- Worldcom – keputusan sentral (one man)
- Subprime Mortgage Meltdown – SOP tdk berjalan
- Crisis of Confidence
- Tyco
- Adhelpia
- Health south

DEFINITION

- Good corporate governance is a system that regulates the relationship between the roles of the board of commissioners, directors, shareholders and other stakeholders.*)
- Good corporate governance is also referred to as a transparent process of determining the company's goals, achievements, and performance appraisals.*)
- "The structure through which shareholders, directors, managers, set of the board objectives of the company, the means of attaining those objectives and monitoring performance". (A structure consisting of shareholders, directors, managers, a set of goals to be achieved by the company, and the tools to be used in achieving goals and monitoring performance)**)

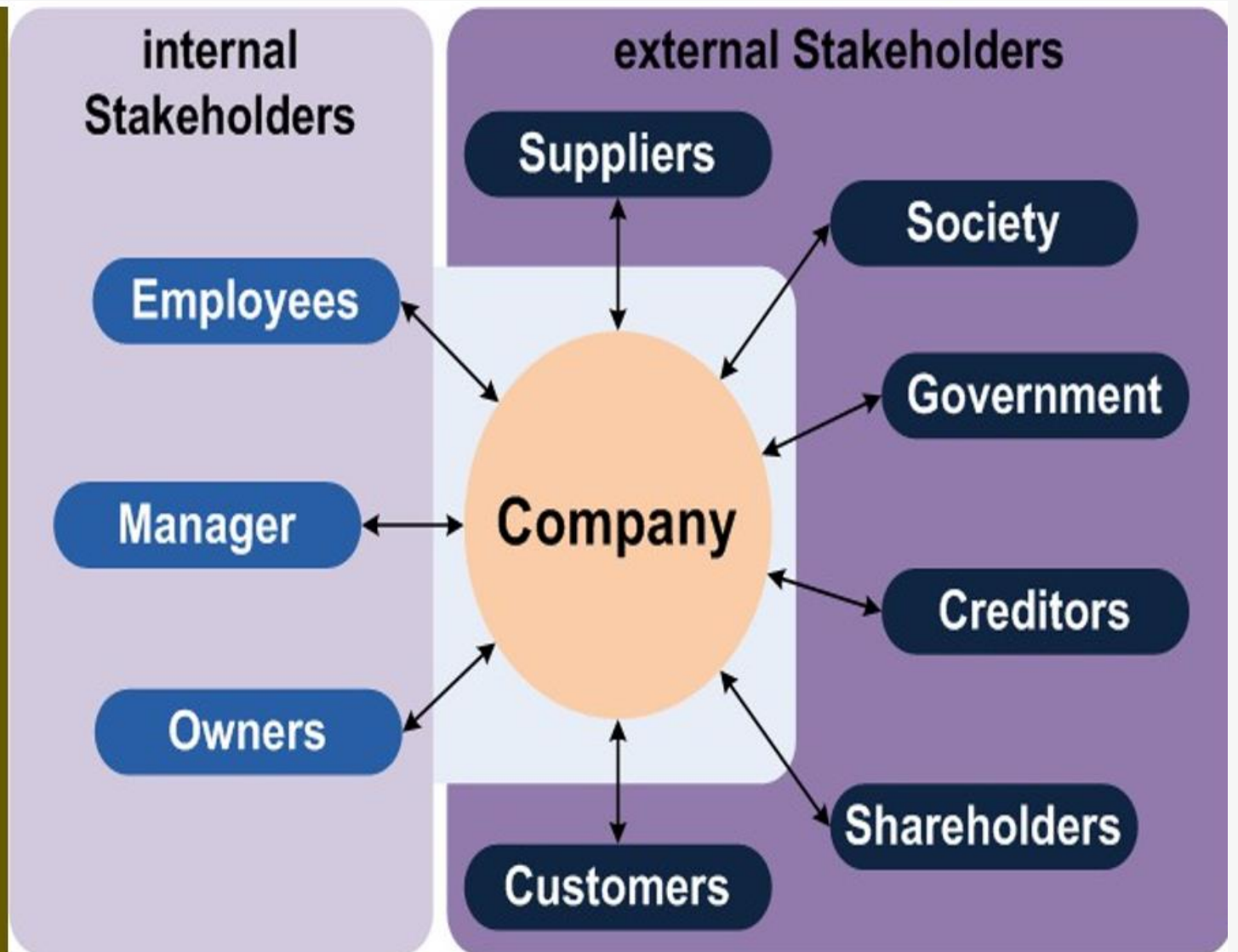
*) according to Soekrino Agoes- Salemba Empat (2006)

***) Organization for Economic Cooperation & Development)

ACCOUNTABILITY

“kualitas pertanggungjawaban yang dilakukan dengan alasan yang memuaskan untuk hal tsb dan sejauh mana hal tsb terjadi”
(kamus Cambridge)

Orientasi → individu



ACCOUNTABILITY

Directors / management

Legally responsible for shareholders

→ Legally because the directors are appointed by the shareholders

Ethically responsible to other stakeholders.

→ because the board of directors has an obligation to ensure that all parties in the operational chain have their rights and obligations fulfilled.

Different perspective

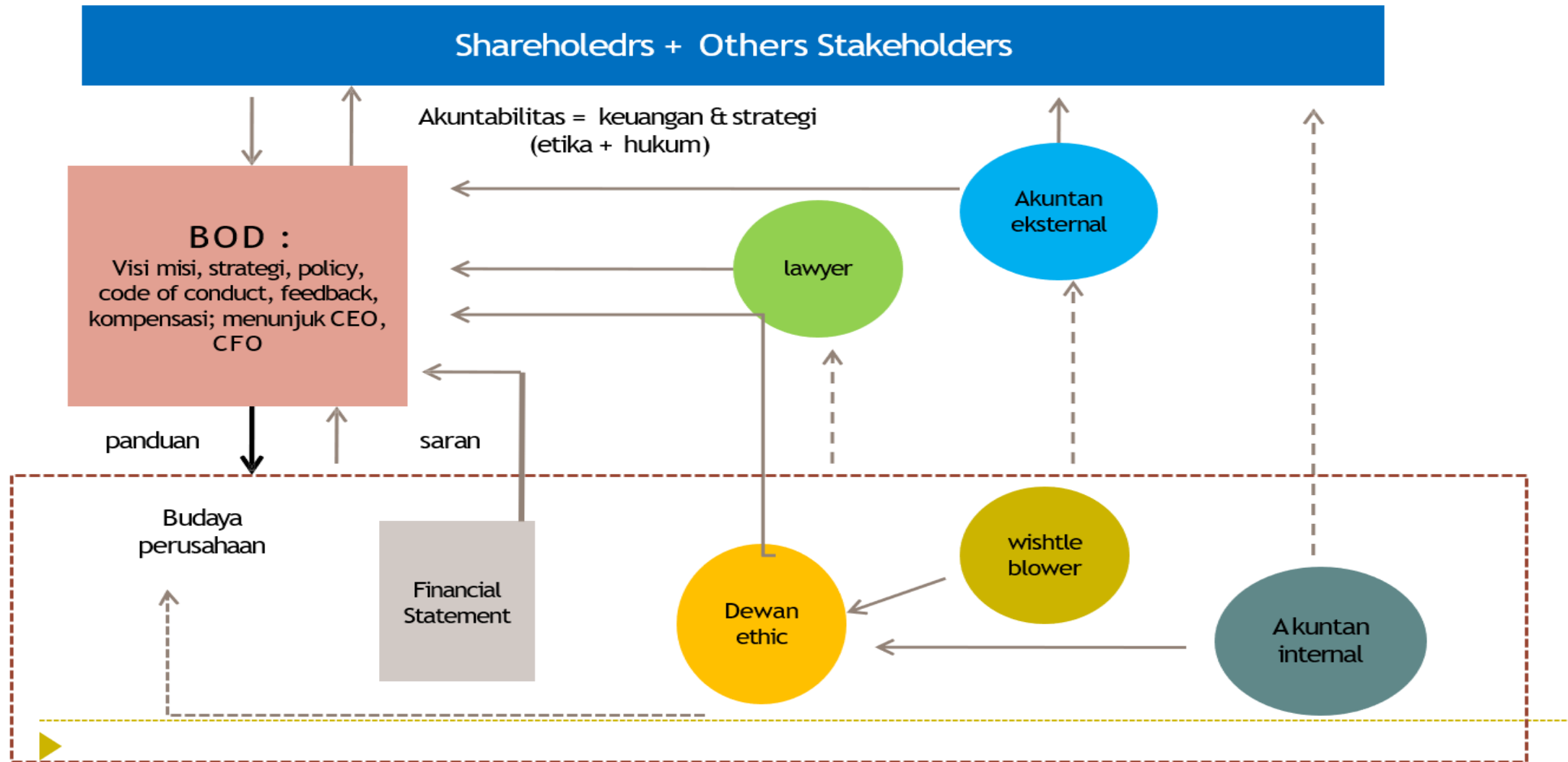
□ Executives, commissioners, and investors who focus on the short term jeopardize the credibility of the entire corporate governance and accountability process → Stout, the shareholders value myth.

p. 247

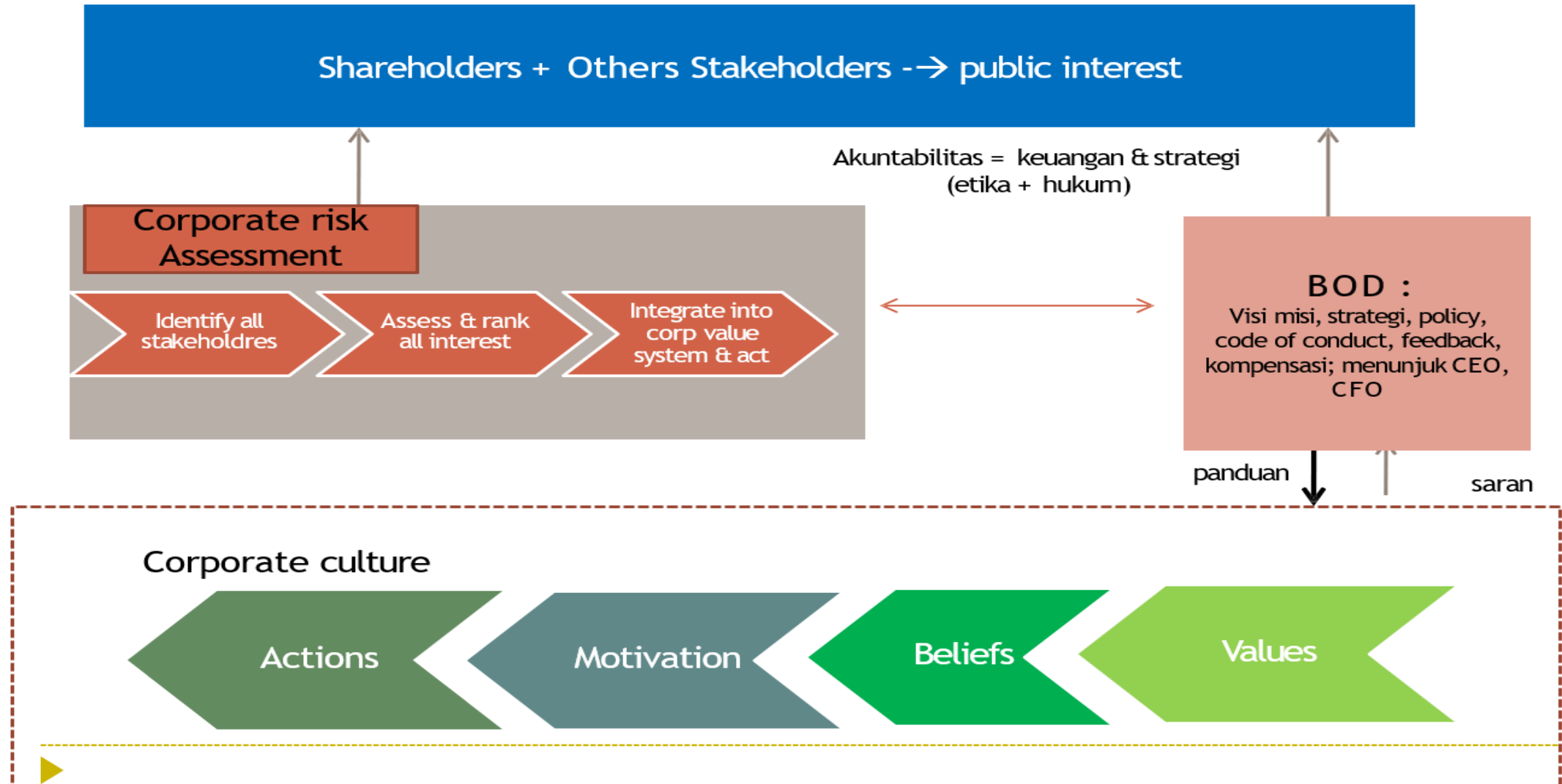
□ Non-shareholder stakeholders have a long-term interest perspective → company reputation → business continuity
product innovation, long term asset investment, CSR.

Corporate Governance Process:

1. orientation to stakeholder accountability



2. Identification of Organizational Values- as the foundation of behavior and integrity.



Threat of Good Governance & Accountability

- Misunderstanding of fiduciary goals & duties
- Failure to identify ethical risks within the company
- Conflict of interest



Unethical behaviour sources

- *Top leader → leadership*
- *Business practices of subordinates*



Area of Corporate Risk Assessment:

1. Governance and Objective
2. Areas of Impact aset, revenue, performance, cost, dll
3. Sources of Risk enviromental, operasional, strategi, Informasi
4. Spesific harzard management \longrightarrow BCM business continuity untuk mengantisipasi hal-hal yang unpredictable
5. Degree of control seberapa tiggi tingkat control terhadap tatakelola. peran internal audit, dan komite
6. documentation

Conflict of interest – causes of judgment bias

- How might judgment be swayed
- Self interest
- Fraud
- Miss understanding
- Slippery slope

Managing conflicts of interest

Ensure awareness through:

- Code of Ethics
- Initial and ongoing training

Understanding of:

- Impact caused by conflict of interest
- Issues that give rise to conflicts of interest

Development of conflict management techniques

- Guidelines on compliance
- Guidelines for rewards
- Counseling
- Internal monitoring

Theory for Managing conflicts of interest

Agency Theory, Ethics, Sears

- Incentive systems that are given to employees and aim to motivate, can be called appropriate or inappropriate depending on how the system is designed.

Firewall/wall of China

- Internal control with instructions from top management

Theory for Managing conflicts of interest

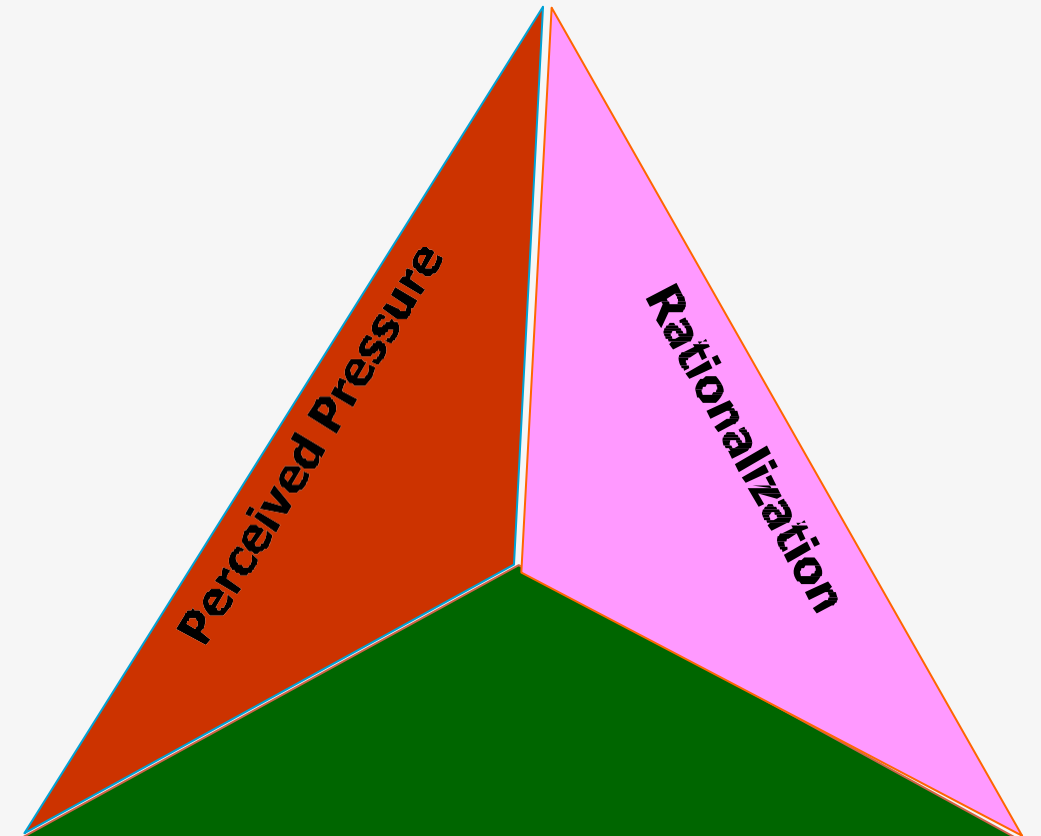
Ahli forensik & bukti ; 20/60/20

- prosentase karyawan melakukan penyimpangan

Teori GONE mengidentifikasi situasi yang berpotensi menyebabkan penyimpangan:

- G- greed
- O- opportunity
- N- need
- E- expectation

Fraud Triangle



Prevention

- Coso
- Control SelfAssessment
- Implementasi key element G C G

COSO Internal Control Framework



1. Risk Assessment

Mengidentifikasi, menganalisis risiko-risiko yang relevan dalam perusahaan secara umum

- Perubahan dalam lingkungan
- Personel baru
- Sistem informasi baru
- Pertumbuhan yang cepat

3. Control Activities

kebijakan dan prosedur untuk menyakinkan bahwa tindakan pengendalian dilaksanakan dengan baik

SOP, Internal Audit, Rotasi

2. Control Environment

Tindakan atau kebijakan manajemen yang mencerminkan sikap manajemen secara keseluruhan dalam pengendalian

- Filosofi dan gaya operasi manajemen
 1. Compensation & Non compensation
 2. Directing Vs Participation
 3. Situasional
- Struktur organisasi
- Nilai Etika (budaya Organisasi) & Kebijakan SDM
 1. Budaya Perusahaan (5C)
 2. Peraturan Perusahaan
- Pendelegasian wewenang dan Tanggung Jawab

4. Information and Communication

Umumnya meliputi metode untuk menjadwalkan, melaksanakan dan memantau aktivitas organisasi serta memungkinkan orang melaksanakan tanggung jawab dan perannya dalam sistem pengendalian internal.

5. Monitoring

Proses menilai kualitas kinerja pengendalian sepanjang waktu.

Pemantauan mencakup:

- Pemantuan Desain
- Tepat waktu / Up date
- tindakan perbaikan

CSA

contoh

- Piutang memastikan setoran customer diterima tepat waktu, sesuai jumlahnya dan disetorkan ke perusahaan.
- Mekanisme reminder ke customer yang menagih adalah bagian keuangan. mengevaluasi umur piutang.
- Bagaimana kalau yang menagih sales? Boleh tidak?

GCG Concept

clarify and strengthen the mechanism for the relationship between stakeholders in an organization which includes:

- the rights of shareholders and their protection,
- the role of employees and interested parties
- others (stakeholders),
- accurate and timely disclosure,
- transparency regarding the structure and operations of the company,
- the responsibilities of the board of commissioners and directors to the company itself, to shareholders and other interested parties.

Instrumen untuk mengimplementasikan GCG

- Code of Corporate Governance (Guidelines for Corporate Governance), guidelines for interactions between Company organs and other stakeholders.
- Code of Conduct (Guidelines for Ethical Behavior), guidelines in creating a harmonious cooperative relationship between the Company and its Employees.
- Board Manual, Guidelines for Commissioners and Directors covering Membership, Duties, Obligations, Authorities and Rights, Board Meetings, Work Relations between Commissioners and Directors as well as Best Practice Operational guidelines.

Prinsip dasar GCG



Independency (Kemandirian)

Keadaan di mana perusahaan dikelola secara profesional tanpa benturan kepentingan dan pengaruh/tekanan dari pihak manapun yang tidak sesuai dengan peraturan perundang-undangan dan prinsip-prinsip korporasi yang sehat;

Accountability/ Accountable

Dalam konteks pembicaraan ini *accountability* lebih difokuskan dalam meningkatkan tanggung jawab dari pembuat keputusan yang lebih diarahkan dalam menjawab kepentingan publik atau anggota.

Fairness

Dalam konteks *good governance* maka *fairness* lebih diartikan sebagai aturan hukum harus ditegakkan secara adil dan tidak memihak bagi apapun, untuk siapapun dan oleh pihak manapun.

Transparent

Dalam konteks *good governance*, *transparency* diartikan membangun kepercayaan yang saling menguntungkan antara stakeholder melalui ketersediaan informasi yang mudah diakses, lengkap dan *up to date*.

Responsibility dan Social Responsibility

Institusi dan proses pelayanan bagi kepentingan semua pihak terkait harus dijalankan dalam kerangka waktu yang jelas dan sistematis.

Continued... Prinsip dasar GCG

❑ *Vision*

Pengembangan suatu organisasi atau badan usaha harus didasarkan pada adanya visi dan strategi yang jelas dan didukung oleh adanya partisipasi dari seluruh anggota dalam proses pengambilan keputusan, pelaksanaan dan pengembangan supaya semua pihak akan merasa memiliki dan tanggung jawab dalam kemajuan organisasi atau usahanya.

❑ *Participation*

Dalam proses pengambilan keputusan dan pelaksanaan hasil keputusan suatu organisasi atau badan usaha sedapat-dapatnya melibatkan pihak-pihak terkait dan relevan melalui sistem yang terbuka dan dengan jaminan adanya hak berasosiasi dan penyampaian pendapat.

❑ *Equality*

Suatu badan usaha atau organisasi yang baik selalu akan memberi dan menyediakan peluang yang sama bagi semua anggota atau pihak terkait bagi peningkatan kesejahteraan melalui usaha bersama di dalam etika usaha yang baik

- *Professional*

Professional lebih dikaitkan dengan peningkatan kapasitas kompetensi dan juga moral sehingga pelayanan dapat dilakukan dengan mudah, cepat dan akurat.

- *Supervision*

Meningkatkan usaha-usaha supervisi terhadap semua aktivitas usaha atau organisasi sehingga tujuan bersama dapat dicapai secara optimal, efektif dan efisien, serta untuk meminimalkan potensi kesalahan atau penyimpangan yang mungkin timbul.

- *Effective & Efficient*

Effective berarti "do the things right", lebih berorientasi pada hasil, sedangkan *efficient* berarti "do the right things", lebih berorientasi pada proses. Apapun yang direncanakan dan dijalankan oleh suatu organisasi atau badan usaha harus bersifat efektif dan efisien.

- *Honest*

Policy, strategi, program, aktivitas dan pelaporan suatu organisasi atau badan usaha harus dapat dijalankan secara jujur. Segala jenis ketidakjujuran pada akhirnya akan selalu terbongkar dan merusak tatanan usaha dan kemitraan yang telah dan sedang dibangun. Tanpa kejujuran mustahil dapat dibangun *trust dan long term partnership*.

Responsibilities of Director & Top Management

- Companies should examine the effectiveness of their internal control systems in relation to financial reporting. The CEO, CFO, and auditors must report and certify such effectiveness.
- The Board of Directors must demonstrate Due Diligence in managing the company's business. why?
- The Board of Directors must ensure that an effective ethical culture prevails in the company.
- The Board of Directors is responsible for legal violations that occur within the company.

****Untehical of leadership**

Public Expectations on Professional Accountants

- ❑ Professional accountants are expected to have special skills related to accounting and a better understanding than lay people on related matters such as management control, taxation, or information systems.
- ❑ Professional accountants are also expected to adhere to general professional values and duties and to adhere to specific standards issued by the professional bodies in which they belong

Priority of Obligations, and Loyalty of Professional Accountants

- One of the main roles of professional accountants is to offer fiduciary services, so the implementation of these services often involves choices that can benefit the interests of one party (from the person who pays the fee, the current owner/shareholder of the company, potential future shareholder), and other stakeholders including workers, governments and creditors).
- As an auditor, loyalty to the public should not be less than loyalty to the current shareholders/owners of the company, and not only prioritizing the company's management.

KASUS

Skandal Suap Siemens, p: 338

TAHNK YOU



ETHICS AND CORPORATE GOVERNANCE

CHAPTER 3

THEORIES AND CONTRIBUTIONS OF PHILOSOPHERS

OLEH:

Dyah Cahyasari, SE, MM.



Definition of Ethics

- Normative assessment of whether a behavior is right and should be done.
- Ethics is concerned with the principles that guide human behavior.
- Ethics is the study of right and wrong, good and bad values.
- Theories & frameworks provide guidance for decision makers
- There is no objective standard code of ethics is subjective

Understanding ethics = morality

- Morality comes from the Latin word Mos (plural – Mores):
→ customs or habits
- Ethics and morality:
a value system about how humans should live well as humans in a custom, which is then manifested in a repetitive and consistent pattern of behavior over a long period of time

Ethics & Code of Conduct

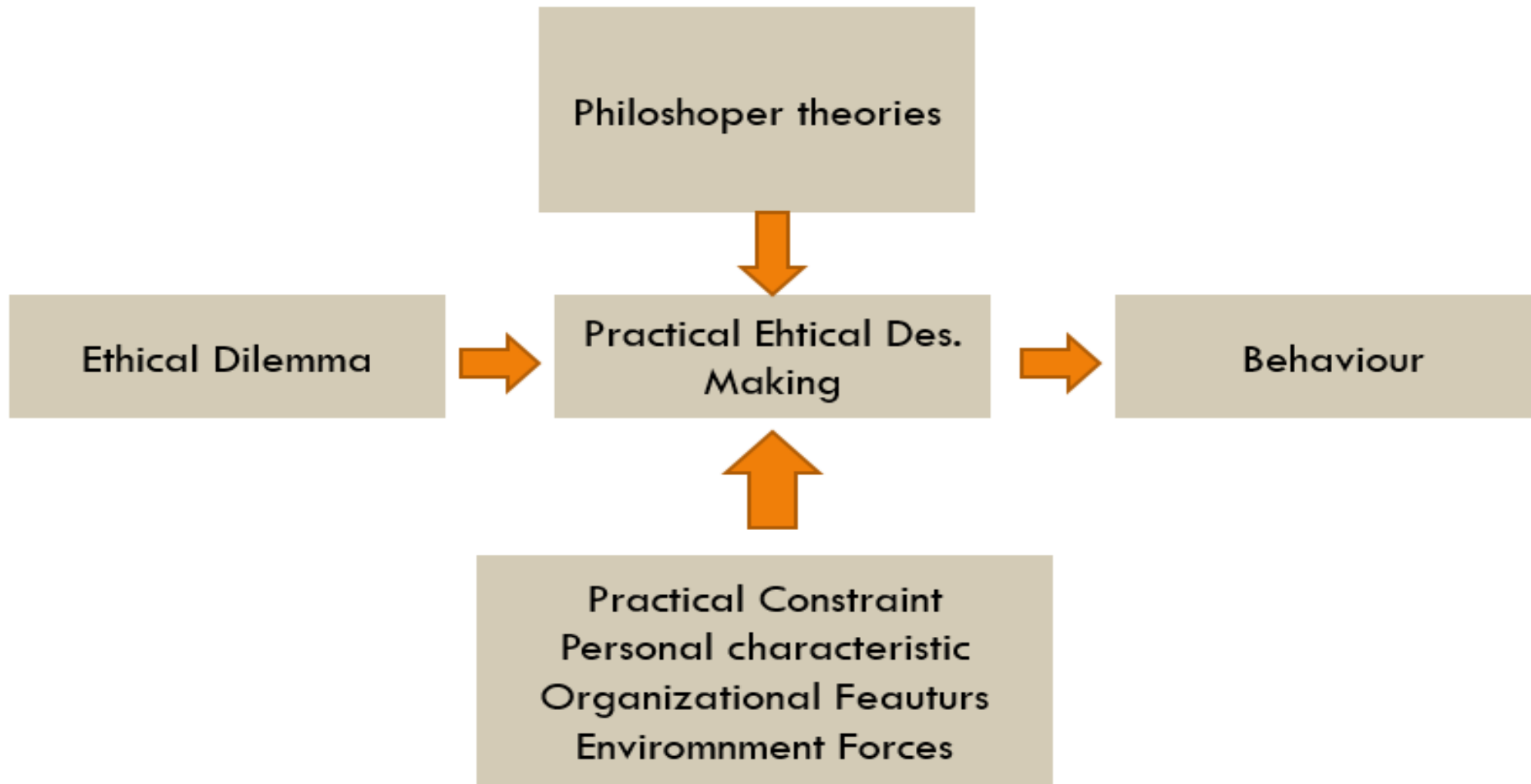
Definition of Ethics based on the Encyclopedia of Philosophy:

- Way of life
- A set of rules of conduct
- Questions about how to live

The code of ethics (morality) has 4 characteristics:

- Belief in human nature
- Beliefs about ideals, what one wants, worthiness to achieve self-interest
- Rules that explain what should and shouldn't be done
- The motive that drives us to choose right or wrong

The Ethical Reasoning Process



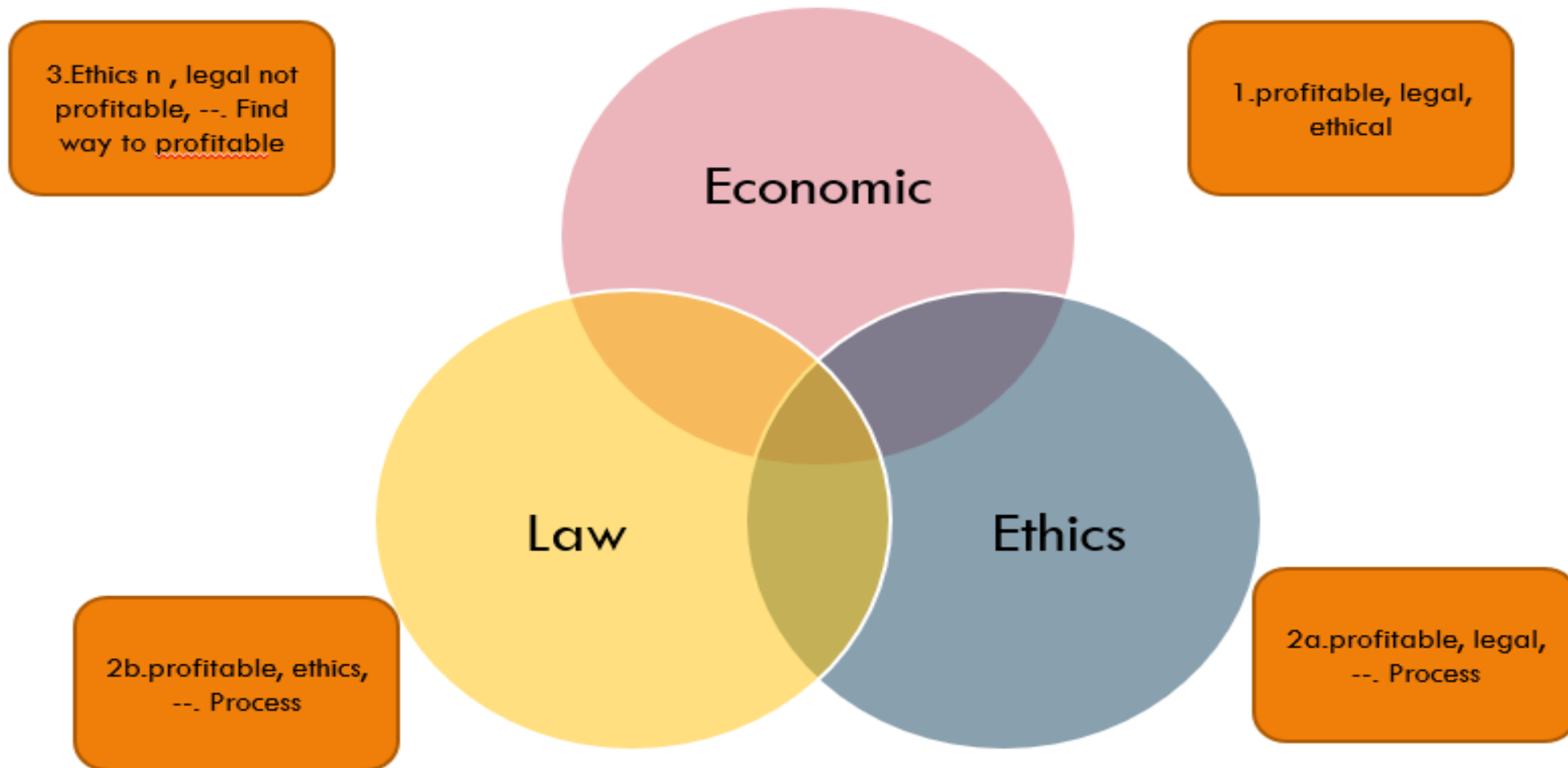
KASUS

Jhon DeLorean's overcommitment to his company (p. 166)

Dilema Etis Bisnis



Ethics, Business & law



Ethics & Business

Archie Carroll :

- Business ethics can only be discussed in full if the business is running well economically.
- If the business is not profitable, the business will close / stop
- As a result, the company's main goal is to stay in business by achieving targeted profits.
- Profit is a consequence of doing business
- Businesses must still comply with applicable ethics (laws and regulations)
- The next business responsibility is to be ethically and socially responsible.

Ethical Theory

- Utilitarianism
 - Emphasizes the importance of rules in pursuing what you want
- Deontology
 - Examining the motives of ethical decision making
- Rights (justice / fairness)
 - Equality, justice and fairness
- Virtue / Virtue
 - Studying humans and referring to human nature

Utilitarianism

comes from the Latin utilis which means "useful".

According to this theory an action is good if it brings benefits, but the benefits must involve not only one or two people but society as a whole.

In the framework of utilitarianism, the criterion for determining whether an action is good or bad is "the greatest happiness of the greatest number", the greatest happiness of the greatest number of people.

Weaknesses of utilitarianism theory:

- Utilitarians simply claim that right and wrong actions are determined only by the consequences of those actions
- Supposing things like happiness/satisfaction can be measured
→ no
- There is no measure of the magnitude of the scope of equality
- There is no definite measure of the distribution and intensity of happiness.

KASUS

Google's tax Minimization Strategy (p. 174)

Deontologi → motivasi perilaku

The term deontology comes from the Greek word 'deon' which means obligation.

'Why is this action good and it should be rejected as bad', the deontologist replies: 'because the first act is our obligation and the second is forbidden'.

The basis for good or bad deeds is an obligation.

The deontological approach has been accepted in the context of religion, now it is also one of the most important ethical theories.

deontology principle

There are three principles that must be met:

1. In order for actions to have moral value, these actions must be carried out based on obligations
2. The moral value of this action does not depend on the achievement of the goal of the action but depends on the good will that drives someone to take the action, meaning that even if the goal is not achieved, the action is considered good.
3. As a consequence of these two principles, obligations are actions performed based on respect for the universal moral law

Weaknesses of deontology theory

When there are two or more conflicting obligations, when we have to choose one while violating the other, deontological ethics is of little help as it merely recommends:

- act according to your duty.

Rights Theory (Justice & Fairness)

Rights theory is the most widely used approach to develop the merits of an act or behavior.

An indispensable part of the theory of deontology

Aspects of justice & fairness:

- Distributive —→ based on need, an arithmetic and achievement.
- Procedural —→ focus on how justice is given to everyone (especially in the legal field)

KASUS

Merck & Rivere Blindnese (p.187)

Teori Keutamaan (Virtue)

Look at the attitude or character of a person.

Priority can be defined as follows:

disposition of character which a person has acquired and enables him to behave morally well.

Priority example:

- Wisdom
- Justice
- Like to work hard
- good life

Weaknesses: It is not asked whether a certain act is fair, or honest, or generous, etc

The virtues that must be attached to everyone, including business people: honesty, fairness, trust and tenacity.

Fairness: willingness to provide what is fair and reasonable for everyone agreed by all involved in a transaction.

The virtues that managers and employees have as far as representing the company, are: Hospitality, Loyalty, Respect and Shame.

KASUS

Jhonson & Jhonson's World wide Recall of
Tylenol (p. 191)

Morals in business

Decision makers to use creative and innovative ways in determining ethical alternatives that are mutually beneficial.



KASUS : Pemalsuan Karya Seni

Eric Hebborn (1934 – 1996) adalah seorang pelukis dan pemalsu karya seni yang berasal dari Inggris. Hebborn pernah mengenyam Pendidikan di Royal Academy of Arts dan British School di Roma, dua sekolah seni rupa paling **bergensi** waktu itu. Kurangnya dihargai sebagai seorang seniman, ia mengubah karyanya untuk meniru karya master yang sudah tua. Pemalsuannya terdeteksi Ketika seorang kurator seni menyadari bahwa terdapat dua gambar di Galeri oleh 2 orang seniman yang berbeda, dimana ke-2 karya itu dibuat sketsa di atas kertas yang identik.

Dalam otobiografinya, *Drawn to Trouble: Confessions of Master Forger*, Hebborn mengaku telah menjual ribuan lukisan, gambar dan pahatan palsu. Dia membual betapa mudahnya membodohi ahli seni yang menurutnya seharusnya dapat mendeteksi bahwa karya-karyanya palsu. "Hanya para ahli yang layak dibodohi. Semakin besar ahli tersebut, semakin puas saya menipu mereka." Namun kode moral pribadinya tidak akan mengizinkannya untuk menjual karya-karya palsunya kepada kolektor amatir. Hebborn tidak pernah dituntut karena karena ahli seni yang malu menolak untuk mengakui di pengadilan bahwa mereka telah ditipu.

Mark Landis (lahir 1955) adalah pemalsu seni Amerika. Dia kuliah di Art Institute of Chicago, tempat dia belajar untuk memulihkan lukisan yang rusak. Kemudian dia mulai memalsukan karya – karya seniman yang kurang dikenal dan menyumbangkan lukisan palsu tersebut ke lebih dari 50 galeri seni dan museum di 20 negara bagian. Pemalsuannya terdeteksi Ketika seorang kurator galeri memperhatikan bahwa cat air Paul Signac pada 2 perahu mirip dengan warna air Signac yang telah disumbangkan ke galeri seni lain.

Landis menyumbangkan lukisan dengan menggunakan berbagai alias, yang mengatakan bahwa lukisan itu untuk mengenang orang tua yang sudah meninggal. Landis belum dituntut karena dia tidak pernah menerima uang dari galeri seni dan museum, juga tidak mengklaim pengurangan pajak atas sumbangannya, “Kami tidak dapat mengidentifikasi pelanggaran kejahatan federal.” Kata Robert Withman, penyidik senior FBI. “Pada dasarnya, Anda memiliki seorang yang berkeliling di negaranya dengan uangnya sendiri kemudian dia memberikan barang-barangnya ke museum.”

Ditanya:

1. Apakah menjual karya palsu ke ahli seni yang seharusnya dapat membedakan mana palsu dari karya seni otentik secara etis dapat diterima?
2. Beikan komentar tentang kode moral pribadi Hebborn
3. Adakah orang yang dirugikan Ketika Landis menyumbangkan lukisannya yang dipalsukan ke berbagai galeri seni dan museum?
4. Apakah fakta bahwa Landis tidak mendapat untung dari sumbangannya berarti bahwa secara etis dapat diterima untuk memberikan karya palsu ke galeri seni dan museum?

KASUS : Diskriminasi Gender di IKEA



Pada 1 Oktober 2012, IKEA meminta maaf karena telah menghapus foto Wanita dari katalog IKEA yang dikirim ke Arab Saudi. IKEA adalah perusahaan Swedia yang didirikan pada 1943. Sekarang IKEA adalah perusahaan ritel furniture terbesar di dunia dengan toko-toko yang berada di lebih dari 41 negara. IKEA berada di garis depan tanggung jawab social dan lingkungan. Mereka dengan murah hati berkontribusi pada organisasi amal. IKEA adalah pemimpin dunia dalam memproduksi furniture yang ramah lingkungan. Selama 3 tahun berturut-turut, IKEA masuk dalam 100 perusahaan terbaik untuk bekerja bagi Fortune dan telah dinobatkan 4x sebagai salah satu dari 100 perusahaan terbaik untuk ibu yang bekerja oleh majalah Working Mothers.

Sejak 1951, IKEA telah menerbitkan katalog tahunan. Pada tahun 2012, dia mencetak 212 juta katalog dalam 29 Bahasa. Gambar-gambar dalam katalog itu identik di seluruh dunia hingga saat ini. Dalam katalog Arab Saudi 2012, gambar Wanita semuanya dihapus. Dalam satu foto kamar mandi, seorang ibu Bersama

putranya, dan ayahnya Bersama seorang anak lelaki yang lebih muda. Dalam versi Saudi tidak ada Wanita (telah dihapus dari foto tsb). Hanya ada ayah dan kedua anak laki-laki. Dalam foto lain, ada dua Wanita yang saling tersenyum dengan latar belakang 4 macam furniture, dalam katalog Saudi hanya ada 4 furniture. Dalam gambar lain, Wanita telah dihapus secara digital atau diubah menjadi pria.

Seorang juru bicara untuk IKEA mengakui bahwa kesalahn terjadi di kantor pusat dan tidak dilakukan oleh pewartalaba Saudi Arabia. Dia mengatakan bahwa mengecualikan wanita dari katalog bertentangan dengan nilai-nilai IKEA. "Kami mendorong perlakuan yang adil dan kesempatan kerja yang setara tanpa memandang ras, suku, agama, jenis kelamin, kecacatan, usia atau orientasi seksual.

Ditanya

1. Diskusikan pro dan kontra terhadap perubahan katalog tersebut ditinjau dari segi:
 - Deontologi
 - Utilitarianisme
 - Etika kebijakan
1. 2. Haruskah perusahaan mengubah kampanye pemasarannya untuk mencerminkan bias yang lazim di berbagai negara tempat perusahaan tersebut melakukan bisnis?

TUGAS

P 202 – 203

1. Memutuskan siapa yang menerima vaksin flu babi
2. Asuransi dan penyakit warisan genetik

TAHNK YOU



ETHICS AND CORPORATE GOVERNANCE

CHAPTER 4

Managing ethics Risk & Opportunities

OLEH:
Dyah Cahyasari, SE, MM.



Risk Definition

- Chance of loss
- Probability of loss
- Uncertainty
- Actual deviation from expected
- The probability that an outcome will be different than expected
- One consequence of the high rate of return



RISK MANAGEMENT

Risk management is:

proactive, coordinated, value effective, and understand priorities in addressing threats to the company.

Ethical Risk Management

Ethical risk is a possible violation of ethics caused by the inability of a company or institution to meet stakeholder expectations:

1. no application of corporate values
2. there is no ongoing socialization to all employees
3. there is no commitment from the leadership
4. no supervision

Risk management is governance that upholds the code of ethics so as to minimize the company's inability to meet stakeholder expectations

Traditional vs integrated risk management?

TRADITIONAL

Traditional risk management focuses on risks arising from physical or legal causes (such as natural disasters or fires, deaths, and lawsuits).

Financial risk management:

focuses on risks that can be managed using financial instruments – borrower bankruptcy, derivative losses – not on the impact of non-financial aspects.

Reliance on external auditors.

Standard & Poor's (S&P), 2008

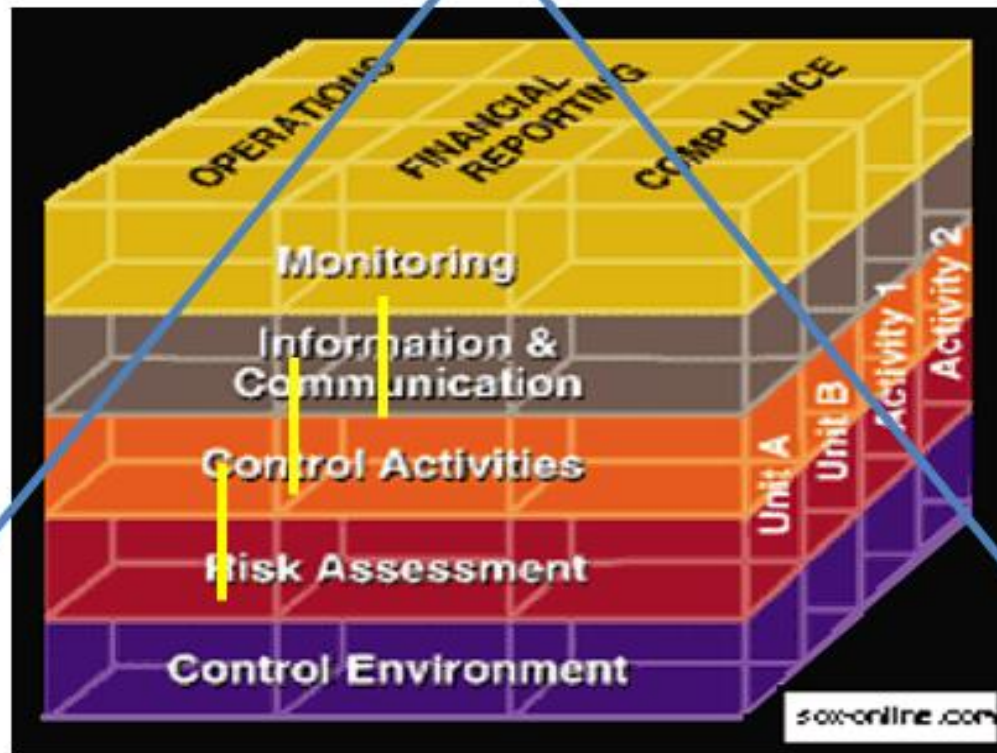
- an approach to ensure that the company addresses all the risks it faces;
- a set of expectations among management, shareholders, and the board of commissioners and directors regarding what risks will be accepted or not accepted by the company;
- a set of methods used to avoid situations that could result in losses for the company;
- the method used to shift the focus from “cost/benefit” to “risk/reward”;
- methods that help boards of commissioners, directors and senior managers fulfill their basic responsibilities;
- a set of guidelines to identify risks that are considered excessive and to mitigate those excess risks; and
- language to communicate the company's efforts to keep the company's risk profile at the desired level.

Institute of Internal Auditors (IIA), (dikutip dari Bromiley, 2014)

- Integrated Risk Management is a comprehensive and coordinated approach to assessing and responding to all risks that may affect the achievement of the company's strategic and financial objectives.

Identification & Assessment

Coso : Committee of Sponsoring Organizations of the Treadway Commission



dimensi

Operasi

Pelaporan

Kepatuhan

PARTIES THAT ARE RESPONSIBLE FOR CONTROL

Management, Board of Directors, Audit Committee, and other personnel within the company are responsible for internal control.

- because everyone in the organization has a role in internal control, so that internal control cannot run properly if there is one member who does not carry out his role.

External parties often contribute to the achievement of company goals, such as external auditors, regulatory and legislative bodies, customers, financial analysts, and the mass media.

- However, these third parties are not responsible for internal control because they are neither part of the organization nor part of the internal control system.

New ERM –Draft Revision 2016

- Aligning Risk with Strategy & Performance
- Focus on the influence of risks and opportunities on the achievement of strategic objectives.

business risk identification

Fokus risiko	
Tujuan perusahaan:	
Area terdampak	Reputasi
	Aset, income, cost
	Performance
	Stakeholders
Sumber risiko	Lingkungan
	Strategik
	Operasional
	financial
Ancaman dan bahaya spesifik	Tuntutan hukum,
	Kebakaran,pencurian
Derajat kontrol risiko	Kecil, sedang, besar

Examples of Ethical Risks related to Stakeholders

Penyimpangan dari kondisi ideal	Resiko Etika
<p>Shareholders:</p> <ul style="list-style-type: none"> <input type="checkbox"/> perilaku penggelapan dana dan asset. <input type="checkbox"/> konflik kepentingan dengan para eksekutif perusahaan <input type="checkbox"/> Tingkatan performa perusahaan yang tidak sesuai dengan keinginan para pemegang saham. <input type="checkbox"/> Keakuratan dan transparansi lap. keuangan. 	<p>Kejujuran dan integritas.</p> <p>Pertanggung jawaban.</p>
<p>Karyawan:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Keamanan Kerja kurang terjamin <input type="checkbox"/> Tidak adanya Persamaan perlakuan (subjektif) <input type="checkbox"/> Jaminan hak-hak pekerja tidak dipenuhi <input type="checkbox"/> Upah dibawah standar 	<p>Kewajaran</p> <p>Keadilan</p> <p>Perlakuan kasih sayang</p>
<p>Pelanggan</p> <ul style="list-style-type: none"> <input type="checkbox"/> Keamanan Produk tidak terjamin <input type="checkbox"/> Performa Perusahaan menurun 	<p>Keterbukaan.</p> <p>Kewajaran.</p>
<p>Lingkungan</p> <ul style="list-style-type: none"> <input type="checkbox"/> Adanya Polusi / pencemaran lingkungan akibat aktifitas perusahaan 	<p>Pertanggungjawaban-</p> <p>Reputasi</p>

How is the relationship with the Auditor??

Statement of Auditing Standards 99

Auditor Eksternal di arahkan untuk memiliki kesadaran atas kecurangan, pemeriksaan dan pelaporan/pengungkapan yang lebih baik atas kecurangan tsb.

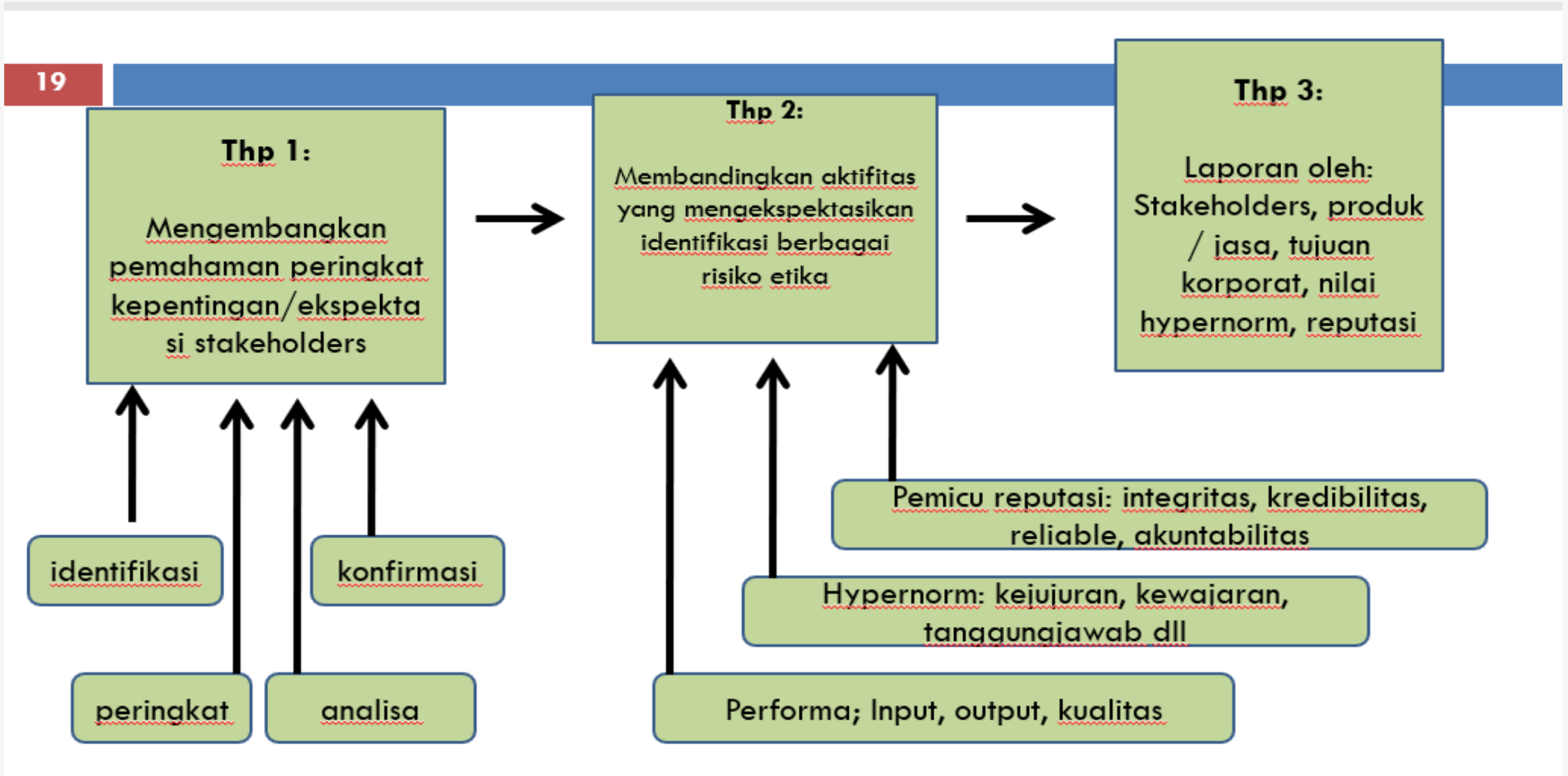
Mengapa?

Statement of Auditing Standards 99

Caranya?

- brainstorming and discussion among audit team members
- Supervision of data collection, sampling and audit procedures
- Understanding fraud risk based on the risk factors found
- Improve audit standards

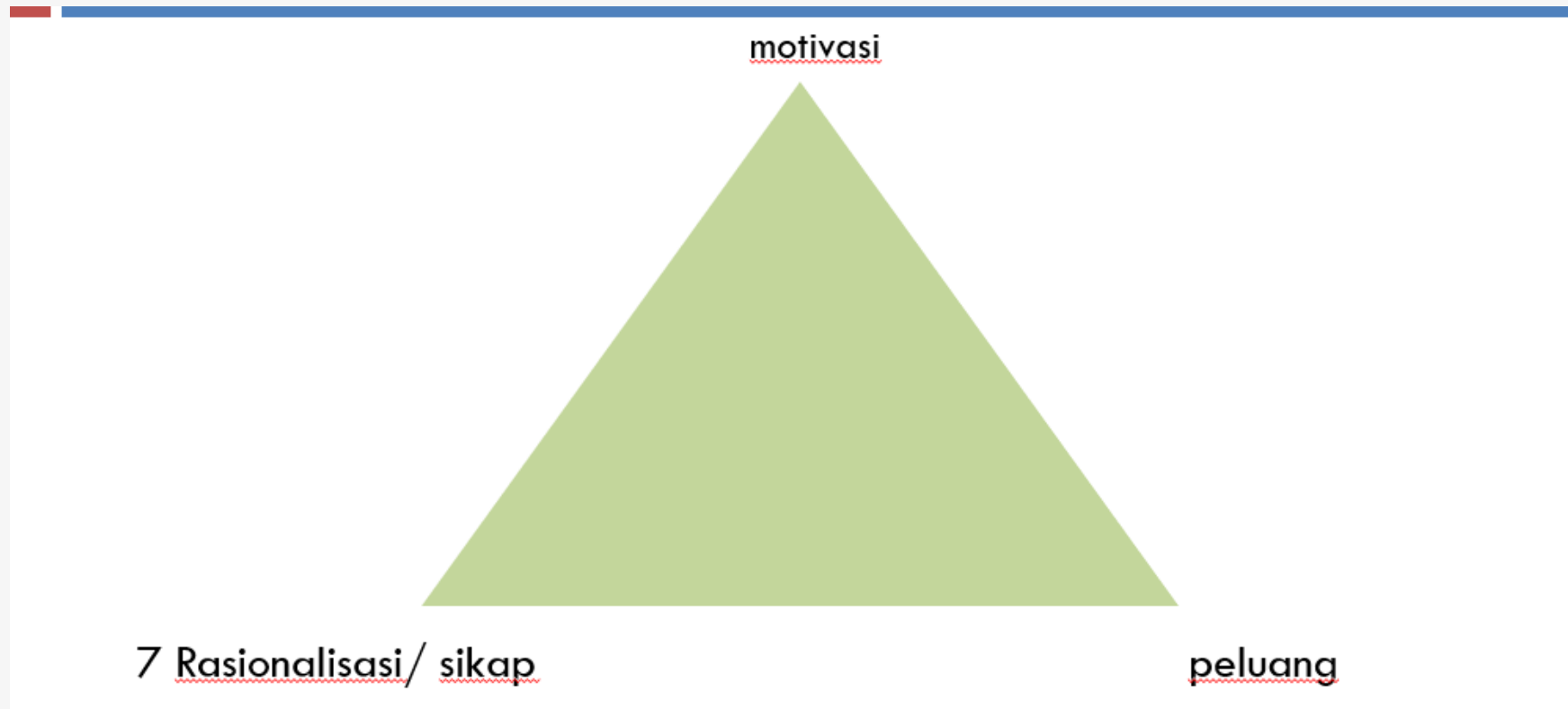
Identity and Risk Assessment



Specific Ethics Risk

- Ethics Risk terjadi kapan?
- Important ethics risk:
- Organizational culture risk
- Mindset risks
- Systemic risks

Fraud



What is an Ethical Risk & Opportunity Management Strategy?

1. Stakeholder Relationship Analysis
2. Fulfillment of corporate responsibility
3. Understanding of Ethics within the company

1. Stakeholder Relationship Analysis

→ support for company goals (DIAGNOSTIC TYPOLOGY)



2. Fulfillment of corporate responsibility

Audit Assurance for sustainability & CSR Report

- Defining organizational goals for CSR
- Building a CSR framework
- CSR performance measurement
- CSR Monitoring
- CSR Reporting

3. UNDERSTANDING OF ETHICS IN THE WORK ENVIRONMENT

- ❑ Against employees
 - ✓ Fulfillment of employee rights
 - ✓ Privacy,
 - ✓ justice,
 - ✓ safe work environment
 - ✓ Trust, etc

- ❑ Anticipation of fraud / fraud

CONTOH KASUS

Walt Pavlo

- ❑ Stolen without a gun US\$ 6 million at MCI
- ❑ Bergabung di MCI 1992, segera melejit menjadi wakil pimpinan bag keuangan.
- ❑ Resign awal thn 1997.
- ❑ Fakta:
 - Bertampang keren, pirang, lulusan MBA
 - Memiliki istri dengan 2 anak
 - Bertanggungjawab kepada keluarga
 - Suka dihormati

Walt Pavlo

As a senior manager at MCI, and with a meritorious employment history, Mr. Pavlo was responsible for the billing and collection of nearly \$1 billion in monthly revenue for MCI's carrier finance division. Beginning in March of 1996, Mr. Pavlo, one member of his staff and a business associate outside of MCI began to perpetrate a fraud involving a few of MCI's own customers. When the scheme was completed, there had been seven customers of MCI defrauded over a six-month period resulting in \$6 million in payments to the Cayman Islands.

In January 2001, in cooperation with the Federal Government, Mr. Pavlo pled guilty to wire fraud and money laundering and entered federal prison shortly thereafter. His story highlights the corrupt dealings involving the manipulation of financial records within a large corporation. His case appeared as a cover story in the June 10, 2002 issue of Forbes Magazine, just weeks before WorldCom divulged that it had over \$7 billion in accounting irregularities.

(Source: Walt Pavlo executive bio provided by himself)



Perilaku Walt:

- Mematuhi perintah tanpa bertanya
- Berperilaku ultra agresif
- Mengabaikan kebijakan perusahaan
- Menciptakan mekanisme tanpa sepengetahuan atasan, dan tidak mengungkapkan resikonya.
- Bergaul dengan orang yang salah.

Peluang melakukan kecurangan:

- Catatan tidak akurat
- Internal audit tidak efektif
- Tidak ada kontrol posting pembayaran piutang yang benar
- Tidak didukungnya *whistle blower*

Maslow Theory



Seven Rationalization of Unethical Actions

– j. Heath, Univ. Toronto 2007

- Disclaimer of responsibility
- Rejection of injury
- Rejection as a victim
- Criticism
- Appeal to higher loyalty
- Everyone do it
- Get ownership rights

Global behavior – international business



The company's actions/directions should pay attention to:

- Impact on local economy and culture
- Domestic vs foreign cultural conflict
- Moral imagination
- Practical ethical guidelines
- Consult before action

Crisis Management

- A crisis is a “critical situation, crisis, period of danger, difficulty, and/or doubt about the future” which if left unchecked will harm or even threaten the existence of the organization/company.
- An event that carries or has the potential to bring harm, jeopardize the future profitability, growth and sustainability of an organization. -
Lerbinger-

Crisis Management Resources

-
1. Natural disasters
 2. Technological disaster
 3. Differences in expectations of individuals, groups, companies
 4. Terrorist, extremist
 5. Management values that do not meet environmental requirements
 6. Management fraud
 7. Management error

Crisis Impact

- Besides being able to cause material losses, such as decreased performance resulting in a decrease in sales turnover, decline or even damage to the reputation of the organization or company in the eyes of the public.
- Although reputational crises are often caused by management crises, that does not mean that once the management crisis is over, the reputation crisis will automatically end.

Crisis- issues

- The crisis that befell an organization or company can be caused by the development of an issue.
- Issues are negative/tilted voices in the public or in the mass media about organizations or companies, but have not had a significant impact on organizational performance.
- If not managed properly, an issue is likely to affect the performance of the organization or company (demonstrations, strikes, etc.).
- Issues that are not managed properly will turn into a crisis

Crisis Stage

Rhenald Kasali divides the anatomy of the crisis into four stages, namely:

- prodromal stage,
where a new crisis has arisen and has not yet had a broad impact on the company's reputation.
- acute stage,
is a pattern of crisis in which problems begin to surface. This stage occurs usually due to the negligence of management to respond to the prodromal stage. Not infrequently, parties with different interests take full advantage of this crisis.

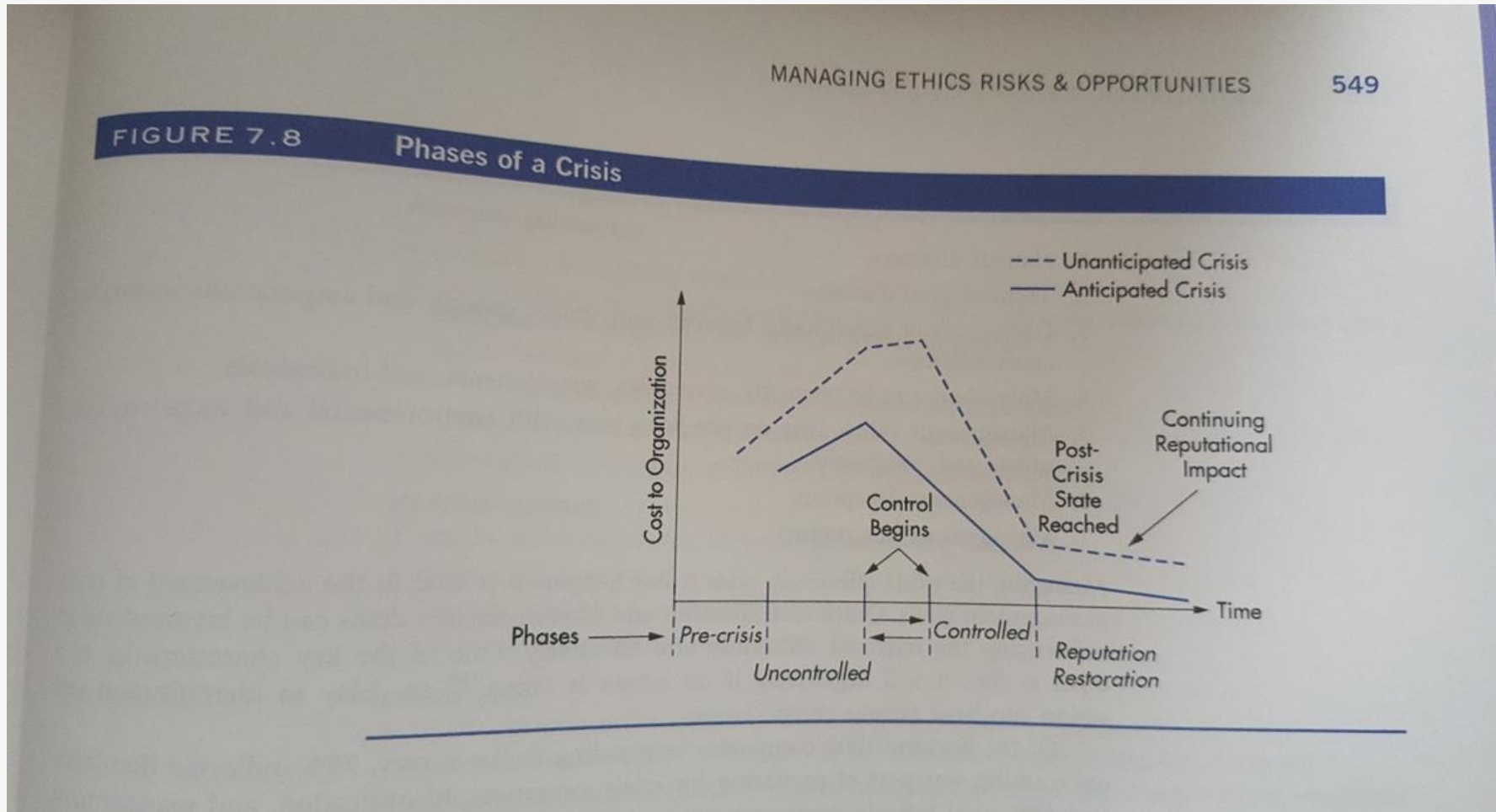
- Chronic Stage,

where the crisis has passed and all that remains are the problems resulting from the crisis. Many victims have also fallen as a result of this crisis. So this stage is more focused on how to clean up the damage caused by the crisis.

- Resolution Stage,

where management must restore strength to return to normal so that it can resume previous activities normally.

Model Stages of crisis management



Implementing ethics in crisis management

- Prevention and warning
- Analytical approach
- The decision is alone
- Communication with ethical intent

KASUS : DISKRIMINASI GENDER DELL Inc.

Pada Oktober 2008, Jill Hubley, mantan ahli strategi senior di kelompok SDM Dell Americas, divisi Dell Inc. yang berlokasi di Texas, mengajukan gugatan hukum terhadap produsen komputer pribadi terbesar kedua di dunia. Dia menuduh bahwa Dell telah melakukan diskriminasi secara sistematis terhadap karyawan perempuan terkait dengan kompensasi dan kenaikan jabatan. Pendapatnya bahwa laki-laki di Dell dibayar dengan upah yang sama dan perempuan tidak diberikan kenaikan jabatan pada posisi manajemen senior. Perusahaan menolak tuduhan tersebut meskipun tidak terdapat perempuan dalam tim manajemen puncak di Dell, walaupun pada kenyataannya mereka mengerjakan sekitar 80.000 orang diseluruh dunia. Gugatan hukum Hubley menjadi gugatan class action setelah 4 orang perempuan lainnya mengajukan gugatan hukum atas diskriminasi sejenis terhadap perusahaan.

Pada Juli 2009, Dell menyelesaikan gugatan class action dengan pembayaran sebesar \$9,1 juta; \$14,5 juta sebagai pengembalian gaji; \$1,1 juta untuk biaya hukum penggugat, dan \$3,5 juta untuk menerapkan rancangan dana ekuitas yang dirancang untuk menyesuaikan tingkat pekerjaan tertentu bagi personel manajemen dan non manajemen. Dell juga setuju untuk menetapkan dewan panel untuk menjamin kepatuhan internal pada penyelesaiannya. Selanjutnya, perusahaan mengumumkan akan mempekerjakan psikolog ahli dan ekonom tenaga kerja untuk mengkaji dan membuat rekomendasi mengenai praktik ketenagakerjaan dan kompensasi perusahaan.

PERTANYAAN

1. Apa factor-factor yang berkontribusi pada perusahaan yang terlibat dalam diskriminasi gender?
2. Apa factor-factor yang harus dipertimbangkan oleh Dewan Direksi jika terdapat pengaduan internal mengenai diskriminasi gender atas dasar upah dan kenaikan jabatan?
3. Apa biaya lain yang akan ditanggung Dell yang disebabkan oleh praktik diskriminasi yang dilakukannya?
4. Bagaimana perusahaan dapat memastikan bahwa mereka tidak terlibat dalam diskriminasi gender?

TAHNK YOU



ETHICS AND CORPORATE GOVERNANCE

CHAPTER 5

Ethical Decision Making (EDM)

OLEH:
Dyah Cahyasari, SE, MM.



REVIEW

-
- How to make practical ethical decisions?
 - What are the approaches to making ethical decisions?
 - What are the roles of stakeholders in making practical ethical decisions?
 - What is the ethicality of a decision?
 - What are the problems with ethical decision making?

EDM development motivation

1. The Enron, Arthur Andersen, and WorldCom scandals
 - cause public outrage,
 - stock market crash,

The Sarbanes-Oxley Act 2002 emerged, which brought about widespread governance reforms.
2. The corporate scandals of Adelphia, Tyco, Health-South, raise public awareness that corporate executives should be able to make better decisions, and should do so to maintain the profitability and viability of the company (reputation)

EDM VS Considerations Philosophical Fundamentals

- Well officers atau kesejahteraan
- Menghormati hak-hak pemangku kepentingan
- Kewajaran diantara pemangku kepentingan
- Harapan untuk ciri-ciri karakter, kebajikan

Masalah EDM Khusus

- Perilaku yang berbeda dalam budaya yang berbeda (penyuapan)
- Konflik kepentingan dan Batasan perilaku yang mementingkan diri sendiri

- Konsekuensialisme, utilitarianisme, teknologi
- Deontologi (hak dan tugas)
- Imperatif kategoris kant, keadilan sebagai ketidakberpihakan
- Kebajikan
- Relativisme, subjektivisme
- Deontologi, subjektivisme. egoisme

EDM approach -preliminary

Sniff Test

- Would I feel comfortable if this action or decision appeared on the front page of a national newspaper tomorrow morning?
- Will I be proud of this decision?
- Will my mother be proud of this decision?
- Is this action or decision in line with the company's mission and code of ethics?
- Does this feel right to me?

EDM approach -preliminary

Rules of thumb:

1. Golden Rules:

Treat others the way you want to be treated

2. Disclosure Rules :

If you feel comfortable with an action or decision after asking yourself if you would mind if all your colleagues, friends, and family realized it, then you must act or decide.

3. Intuition ethics:

do what "your gut" tells you to do.

EDM approach -preliminary

4. Professional ethics:

do only what you can explain in front of the committee and your professional colleagues.

5. Utilitarian Principles:

do "the best for the greatest number"

6. The principle of virtue:

do what shows the expected virtue.

Ethical Decision Making Approaches and Criteria

Approach

UTILITY,
CONSEQUENCE

DUTY, RIGHTS,
JUSTICE

VIRTUE

–

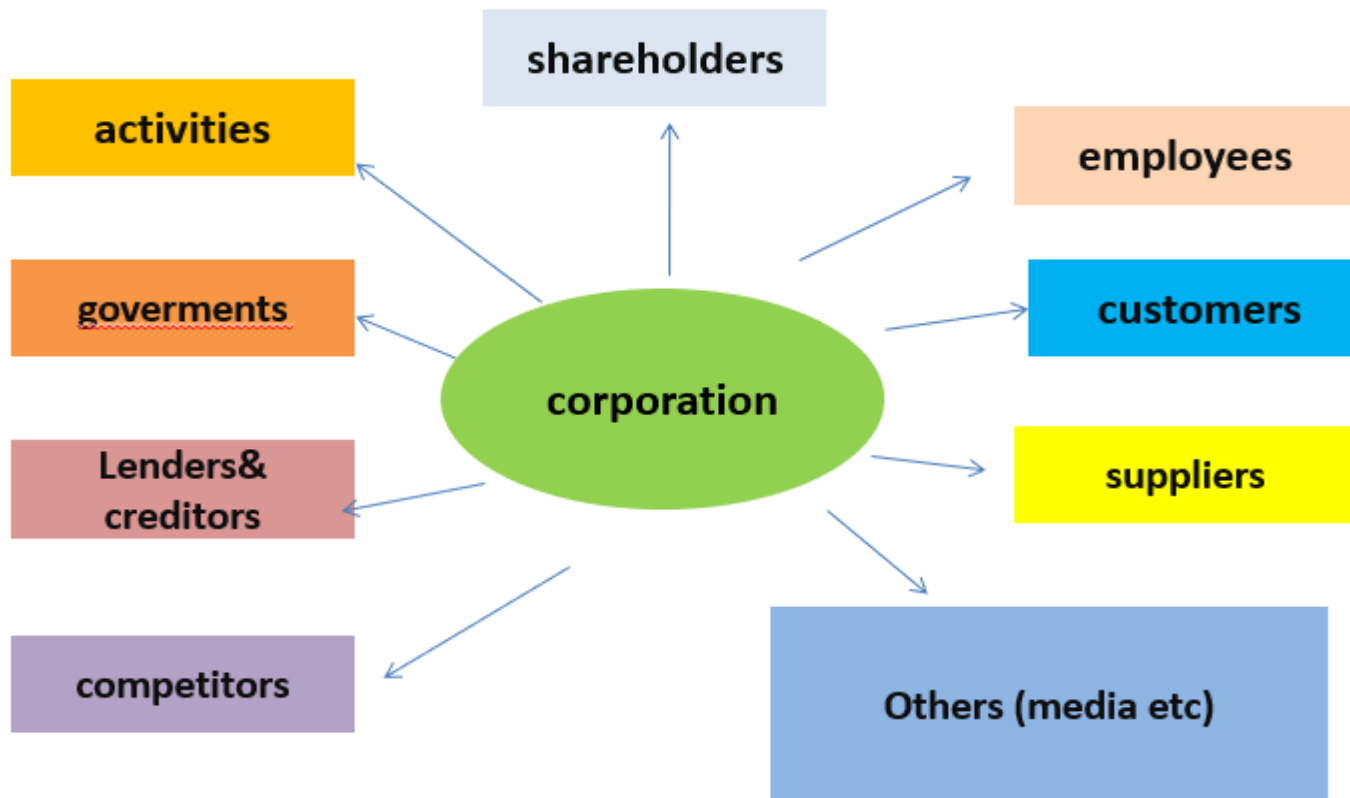
Criteria:

PROFITABLE? BENEFITS? COST
RISK ADJUSTED

FAIRNESS, LEAGACY,
INDIVIDUAL RIGHTS

INTEGRITY, CHARACTERS,
COURAGE

corporate stakeholder accountability map



Stakeholder Accountability Analysis

1. Fundamental things that must be met
 - The interests of stakeholders must be bettered as a result of the decision.
 - The decision will result in a fair distribution of costs & benefits
 - Decisions should not offend any of the rights of each stakeholder, including the right to make decisions.
 - The resulting behavior must indicate something is acceptable.
2. Measurable Impact Analysis
 - Profit; is fundamental to the interests of shareholders and is critical to the survival and health of the company. Decisions will result in a fair distribution of benefits and burdens.

3. Analisa tindakan/ Produk yang tidak dapat Langsung Diukur

- Memberikan kompensasi bagi yang terkena dampak polusi misal dengan biaya kesehatan / beasiswa.

4. Taking into account the future in the present

- budget & equity analysis, where the future value is discounted at an interest rate that reflects the expected future interest rate. This approach is demonstrated as part of a cost-benefit analysis (ABM).

$$\text{NPV} = \text{PV of benefits} - \text{PV of Costs of processed actions}$$

5. Tolerance for uncertainty obtained

- analysis can be based on best estimates, in the three possibilities (most optimistic, pessimistic, and best estimates), or expected values, which are developed from a simulation.

Expected value= Value of outcome x probability of outcome occurring

6. Identification of Stakeholders, and ranking of 'interests' of each stakeholder

How to identify and rank stakeholders' interests?

Stakeholders Interest's ; identification

Mitchell, Agle, and Wood (1997) state that stakeholders and their interests are assessed in three dimensions:

- legitimacy or legal and/or moral rights to influence the organization;
- the power to influence the organization through the media, government or other means;
- the urgency (urgency) that is felt is real from the problems that arise.

three dimensions: the most important part of how executive stakeholders make decisions

Stakeholders Interest's; identification

Summary :

- Approach to analyze Measurable Impact:
 - ❑ Only profit or loss
 - ❑ plus externalities (cost benefit analysis)
 - ❑ plus the probability of the outcome (risk-benefit analysis)
 - ❑ Cost Benefit analysis or risk benefit analysis plus stakeholder ratings



Stakeholders Interest's; identification

- Assessment non quantifiable impact
 1. Stakeholder Rights
 - Life
 - Health and Safety
 - Fair treatment
 - Use of conscience
 - Self-respect and privacy
 - Freedom of speech
 2. Motivation & behavior assessment



Stakeholders Impact Analysis: Traditional Decision- 5 Questions

Apakah keputusan itu ..

Interest pemangku kepentingan yang di uji

1. menguntungkan ?

pemegang saham-biasanya jangka pendek

2. sah dimata hukum?

masyarakat luas-hak yang dapat ditegakkan
oleh hukum

3. adil?

keadilan bagi semua

4. benar ?

hak-hak lain bagi semua

5. mendukung pembangunan
berkelanjutan lebih lanjut ?

hak khusus

KASUS : Apple Phone vs Customers

- Pada tanggal 5 September 2007, Steve Jobs, Ceo Apple Inc, mengumumkan bahwa iphone akan mengurangi harga menjadi \$ 200 dari \$ 599, harga permulaan dari dua bulan sebelumnya.
- Setelah tersebarnya kebijakan tersebut, ia menerima ratusan e-mail dari pelanggan yang marah. Dua hari kemudian, ia menawarkan pelanggan awal (yang membayar harga penuh), kredit \$ 100 baik di toko ritel Apple dan online.
- Apakah keputusan ini untuk mengurangi harga \$ 200, dan cara melakukannya, yang sesuai dari segi etika?

ASPEK KUNCI***TUJUAN PEMERIKSAAN***

Etika aturan dasar

Untuk menjelaskan sebuah organisasi dan/atau aturan / nilai-nilai individu

etika titik-akhir

untuk menentukan manfaat bersih yang paling baik untuk semua pihak

etika peraturan

untuk menentukan batasan yang harus dipertimbangkan seseorang atau organisasi sesuai dengan prinsip-prinsip etis

etika kontrak social

untuk menentukan cara bagaimana menghilangkan batasan tertentu utk menghapus kekhawatiran atau konflik

Stakeholders Impact Analysis: Traditional Pastin Approach

<i>ASPEK KUNCI</i>	<i>TUJUAN PEMERIKSAAN</i>
Etika aturan dasar	Untuk menjelaskan sebuah organisasi dan/atau aturan / nilai-nilai individu
etika titik-akhir	untuk menentukan manfaat bersih yang paling baik untuk semua pihak
etika peraturan	untuk menentukan batasan yang harus dipertimbangkan seseorang atau organisasi sesuai dengan prinsip-prinsip etis
etika kontrak social	untuk menentukan cara bagaimana menghilangkan batasan tertentu utk menghapus kekhawatiran atau konflik

KASUS 2: Bribery or Opportunity in China Case

Issues EDM Common Problems

- mengacu pada kesengajaan atau mengetahui penggunaan aset atau sumber daya yang dimiliki bersama secara berlebihan.
- Tidak dapat diatasi karena semua pihak memiliki kepentingan untuk pemanfaatan sumber daya tersebut.

Perbaikan yang berulang-ulang :

- Kendala /kegagalan pengambilan keputusan etis oleh direktur, eksekutif, atau akuntan profesional akibat dari kompleksitas analisis. Atau, ketidakmampuan untuk menentukan pilihan maksimal karena alasan ketidak pastian, kendala waktu, atau sebab lainnya.

Kegagalan / kekeliruan dalam Pengambilan Keputusan Etis

- ❖ Menyetujui budaya perusahaan yang tidak etis.
- ❖ *Salah menafsirkan harapan masyarakat.* Banyak eksekutif salah mengira bahwa tindakan tidak etis dapat diterima karena:
 - ❑ “semua orang melakukannya,” atau
 - ❑ “jika saya tidak melakukannya, orang lain akan melakukannya,” atau
 - ❑ “saya bebas dari beban tanggung jawab karena atasan memerintahkan saya untuk melakukannya,”.

Kegagalan / kekeliruan dalam Pengambilan Keputusan Etis

❖ *Berfokus pada keuntungan jangka pendek dan dampak pada pemegang saham.*

❖ *Fokus Hanya kepada legalitas.*

❖ *Batas kewajaran.*

sikap bias atau ingin bersikap adil hanya untuk kelompok yang disukai. →
mempengaruhi opini publik

Kekeliruan Umum dalam Pengambilan Keputusan Etis

❖ *Batas hak.*

Bias tidak terbatas pada keadilan saja. Para pembuat keputusan harus meneliti dampak pada keseluruhan hak semua kelompok pemangku kepentingan.

❖ *Konflik kepentingan.*

Penilaian dapat menutupi kepentingan pribadi yang saling bertentangan—> kepentingan pengambil keputusan versus kepentingan terbaik perusahaan, atau kepentingan kelompok dimana pembuat keputusan bersikap parsial versus kepentingan terbaik perusahaan, keduanya dapat menyebabkan penilaian dan keputusan yang keliru.

Kekeliruan Umum dalam Pengambilan Keputusan Etis

- ❖ *Keterkaitan di antara pemangku kepentingan.*

Sering kali, para pengambil keputusan gagal mengantisipasi apa yang mereka lakukan untuk satu kelompok akan berkontribusi memicu tindakan orang lain. Sebagai contoh, pencemaran lingkungan di negara yang jauh dari perusahaan dapat menyebabkan reaksi negatif dari pelanggan dalam negeri dan pasar modal.

- ❖ *Kegagalan untuk mengidentifikasi semua kelompok pemangku kepentingan.*

- ❖ *Kegagalan untuk membuat peringkat kepentingan tertentu dari para pemangku kepentingan.*

Kecenderungan yang umum adalah untuk memperlakukan kepentingan seluruh pemangku kepentingan menjadi sama pentingnya.

Kekeliruan Umum dalam Pengambilan Keputusan Etis

❖ *Mengabaikan kekayaan, keadilan, atau hak.*

Keputusan etis yang komprehensif tidak bisa dilakukan jika salah satu dari ketiga aspek ini ada yang terlupakan.

❖ *Kegagalan untuk mempertimbangkan motivasi untuk keputusan*

✓ *Kegagalan untuk mempertimbangkan kebajikan yang diharapkan. Anggota dewan, eksekutif, dan akuntan profesional diharapkan untuk bertindak dengan itikad baik dan melaksanakan tugas fidusia.*

Kekeliruan Umum dalam Pengambilan Keputusan Etis

- ✓ Mengabaikan kebajikan yang diharapkan dari mereka dapat menyebabkan ketidakjujuran, kurangnya integritas dalam penyusunan laporan, kegagalan untuk bertindak atas nama pemangku kepentingan, dan kegagalan untuk menunjukkan keberanian dalam menghadapi orang lain yang terlibat dalam tindakan tidak etis, atau *whistle-blowing*.
- ✓ Akuntan profesional yang mengabaikan kebajikan yang diharapkan dari mereka cenderung melupakan bahwa mereka diharapkan untuk melindungi kepentingan umum.

Pendekatan komprehensif untuk EDM

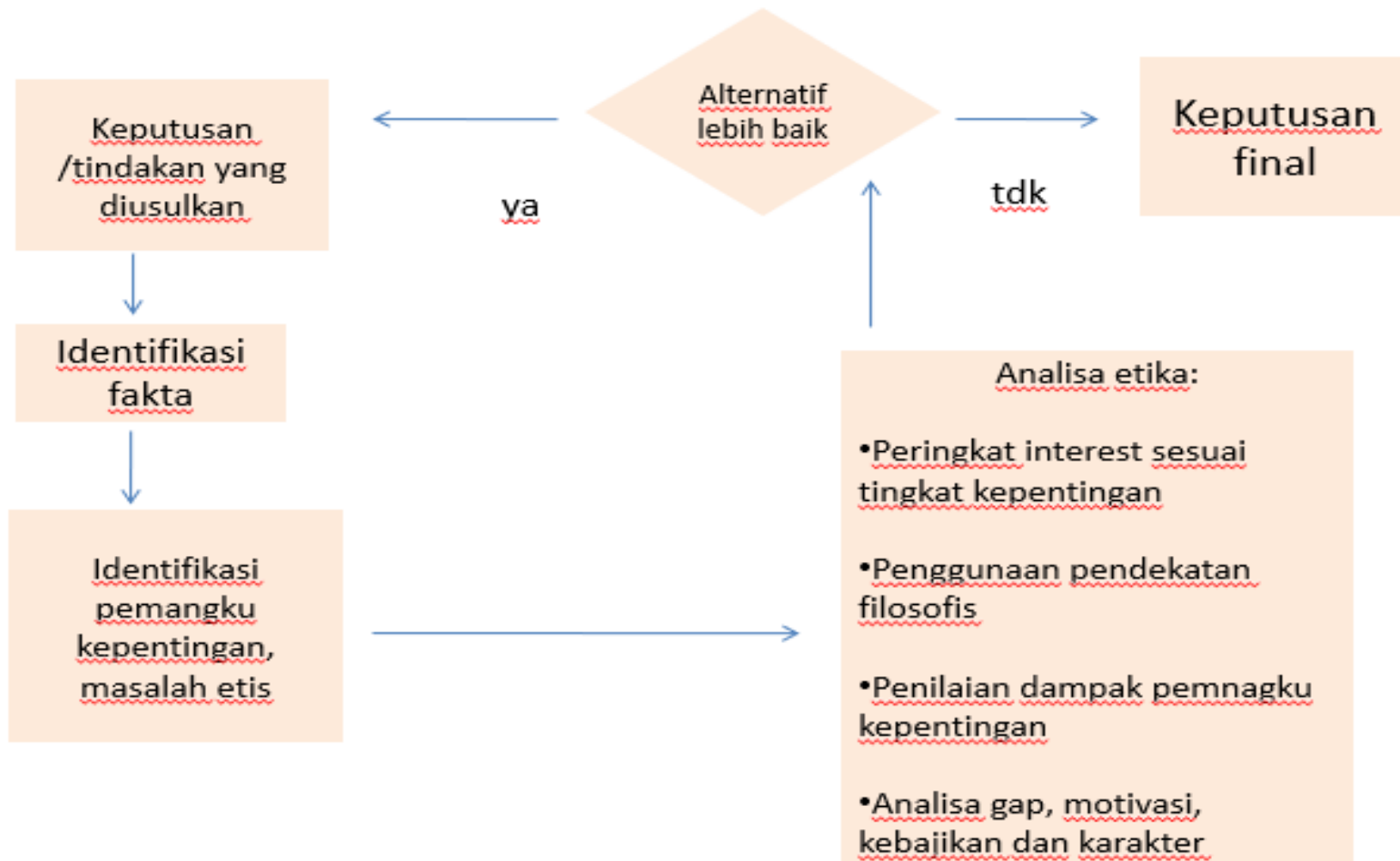
- ❖ Pendekatan terbaik EDM bergantung pada sifat dari tindakan yang diusulkan atau dilema etika dan pemangku kepentingan yang terlibat .
- ❖ Masalah dengan dampak jangka panjang dan eksternalitas mungkin lebih cocok dengan pendekatan standar moral yang dimodifikasi, atau pendekatan pastin yang dimodifikasi .

Pendekatan komprehensif untuk EDM

- ❖ Masalah signifikansi bagi masyarakat dari pada bagi perusahaan kemungkinan akan baik jika dianalisis menggunakan pendekatan filosofis , atau pendekatan standar moral yang dimodifikasi.
- ❖ Pendekatan EDM apapun yang digunakan , pembuat keputusan harus mempertimbangkan semua isu yang diangkat .

Langkah-langkah untuk sebuah Keputusan Etis Komprehensif (EDM)

1. Identifikasi fakta dan semua kelompok pemangku kepentingan serta kepentingan yang mungkin akan terpengaruhi
2. Membuat peringkat para pemangku kepentingan serta kepentingan mereka, identifikasi yang paling penting dan lebih mempertimbangkan mereka dalam analisis
3. Menilai dampak dari tindakan yang diusulkan pada setiap kepentingan kelompok pemangku kepentingan, berkenaan dengan keadilan perlakuan, dan hak-hak lainnya, termasuk harapan kebajikan , menggunakan pertanyaan kerangka kerja yang komprehensif , dan memastikan bahwa perangkat umum yang dibahas nanti tidak masuk kedalam analisis.



American Accounting Assc 1993 → cara pengambilan keputusan etis:

- Tentukan fakta (apa, siapa, dimana, kapan, bagaimana)
- Menetapkan isu etis
- Identifikasi prinsip-prinsip utama, aturan, nilai
- Tentukan alternatif
- Bandingkan nilai-nilai alternatif, lihat apakah muncul keputusan yang jelas
- Menilai konsekuensi
- Membuat keputusan

TAHNK YOU



ETHICS AND CORPORATE GOVERNANCE

Meeting 8

Professional Accounting in the Public Interest

OLEH:
Dyah Cahyasari, SE, MM.

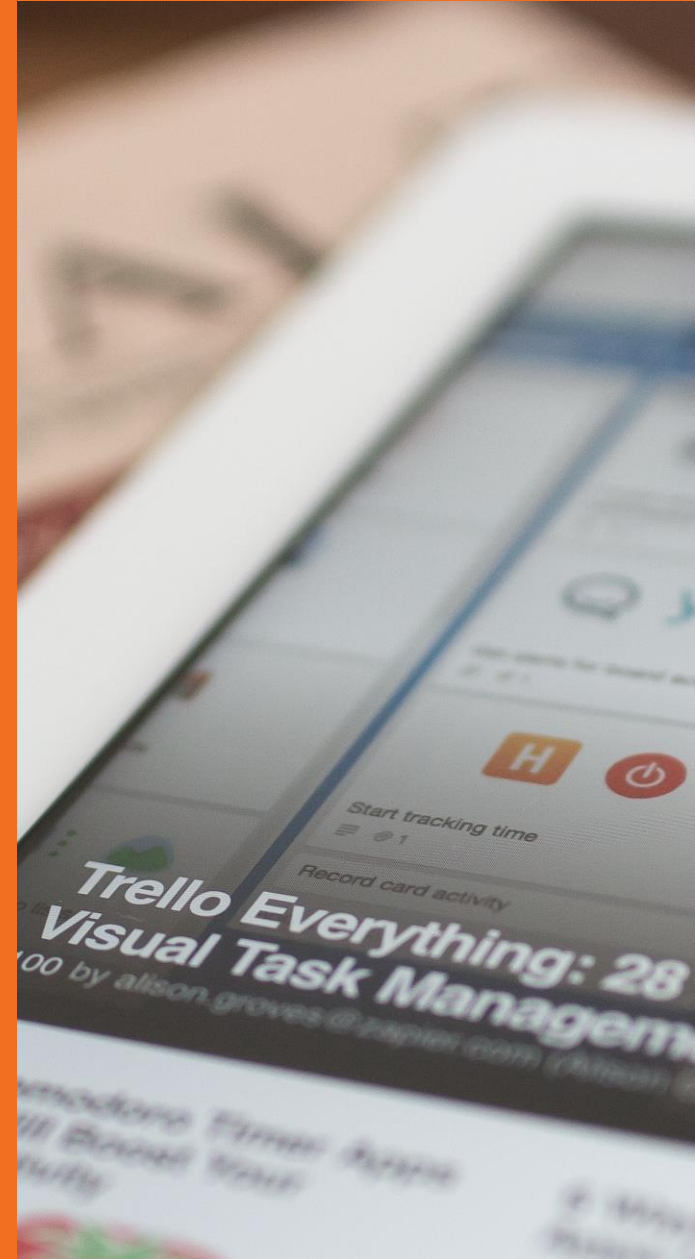


Professional Accountant

- Traditional roles

a professional who is expected to be skilled in preparing, analyzing, interpreting and using financial statements.

professional accountants must apply professional judgment in making decisions to increase the credibility of financial statements and protect the public interest.



Source of the problem

Pencatatan & Pelaporan
akuntansi

Conflict of Interest

Isu etika

Example

1. Pencatatan & Akuntansi

Special Purpose Vehicle/entity (SPV/SPE) & Laporan Konsolidasi SPE yang dibentuknya tidak independen, karena dimiliki dan dikelola oleh CFO Enron.

SPE :

- *Risk sharing*
- Keuntungan kompetitif
- *Financial engineering*

Enron membutuhkan gedung seharga 100 jt. Enron mendirikan SPE dengan modal 3 juta dari investor pribadi diluar CFO, serta 97 juta pinjaman dari bank.

SPE tersebut kemudian menyewakan (operating lease) gedung tersebut ke Enron. Maka Enron dapat menggunakan gedung tanpa perlu menyajikan hutang 100 juta di neracanya.

2. Conflict of Interest

- ❖ KAP Arthur Andersen telah mengaudit Enron sejak 1985 dan selalu memberikan opini wajar tanpa syarat sampai tahun 2000.
- ❖ Arthur Andersen juga memberikan jasa konsultasi mengenai pembentukan SPE-SPE tersebut diatas.

3. Ethical Issue

KAP Arthur Andersen memiliki kebijakan pemusnahan dokumen yang tidak menjadi bagian dari kertas kerja audit formal.

Dokumen yang dimusnahkan pada periode sejak kasus Enron mulai terungkap, sampai dengan munculnya panggilan pengadilan. Walaupun penghancuran dokumen tersebut sesuai kebijakan internal Andersen, tetapi kasus ini dianggap melanggar hukum dan menyebabkan kredibilitas Arthur Andersen hancur. Akibatnya, banyak klien Andersen yang memutuskan hubungan dan Arthur Andersen pun ditutup.

Professional Accountant & public interest

1. Public Expectation control Reputation

- Who is really my client?
- in the event i have to make a decision with ethical ramification, who is i owe primary loyalty

Aspects that make up a Profession

What makes up a profession?

Profession is a combination of:

- Essential features
- Typical Features
- Foundation of Ethical Values

All of them are combined in a common set of professional values – values that determine how decisions are made and decisions are made in a profession.

Public expectations of PROFESSIONAL ACCOUNTANT

Feature:

- ❖ Provision of essential services for the community
- ❖ Requires extensive knowledge and skills**)
- ❖ Supervised by a parent organization that has self-regulating authority
- ❖ Accountable to government authorities

Values

- ❖ Honesty
- ❖ Integrity
- ❖ Objectivity
- ❖ Desire to exercise due care and professional skepticism
- ❖ Competence
- ❖ Confidentiality
- ❖ commitment

Public Expectations of Professional Accountant

Task:

- Continuous attention to client's needs
- Development and maintenance of knowledge and skills
- Maintain reputation as a credible person and profession.

Right:

- Ability to appear as a professional
- Participation in the development of accounting practices
- Access to all accounting and audit related fields

Public Expectations of Professional Accountant

Skill:

- Have special technical expertise related to accounting
- Adhere to specific standards in professional organizations
- Have a higher understanding than ordinary people regarding:
 - Management control
 - Tax imposition
 - Information Systems

Public Expectations of Professional Accountant

Have the values needed in carrying out their duties:

- Competence in the field
- Objectivity in service
- Integrity in dealing with clients
- Maintain confidentiality of matters relating to clients
- Professional skepticism
- Discipline at work

ETHICAL VALUES vs AUDIT or ACCOUNTING TECHNIQUES

according to you,

- Which is more important?
- Why?

ETHICAL VALUES vs AUDIT or ACCOUNTING TECHNIQUES

Many accountants, and most non-accountants, believe in the opinion that mastery of auditing and/or accounting techniques is a must and obligation of the accounting profession.

But relatively few scandals are actually attributable to methodological errors in the application of such techniques – mostly due to errors in judgments regarding the use of appropriate techniques or the reporting associated with them.

Errors in judgment are caused by a lack of attention to ethical values such as honesty, integrity, objectivity, constant concern, confidentiality, and a commitment to the interests of others above one's own interests.

Fraud

- Recording
- Asset Usage
- Accountancy policy

ToC, sampling method, sampling area, test journal
etc

Dominance of Ethical Values

- In situations of uncertainty, accountants must be careful that their decisions should not be tainted by failing to observe appropriate ethical values.
- Ethical values must be considered in balance with technical competence.
- When a professional finds a problem that goes beyond his competence, it is ethical values that will encourage the professional to admit it and report the fact.

Without ethical values, it can reduce the effectiveness that an independent profession can produce

Dominance of Ethical Values

Regarding Enron:

The problems associated with the consolidation of Enron's interest-grouping or special-purpose entity mergers should be foreseeable.

If "ethical selection" were more explicitly stated, of course the destruction of Arthur Andersen's credibility could have been avoided.

TASK PRIORITIES, LOYALTY, AND TRUST IN FIDUCIARY DUTY

Who should be the actual clients of a professional accountant?

Auditor appointed/appointed by whom?

TASK PRIORITIES, LOYALTY, AND TRUST IN FIDUCIARY DUTY

The main task of a professional accountant is to provide an important service to society.

The performance of such services often involves a choice in favor of one of the following parties at the expense of the other:

- ✓ The person who pays the salary/wages,
- ✓ current shareholder/owner of the company
- ✓ potential shareholders/owners,
- ✓ and other stakeholders, including employees, governments, and creditors.

TASK PRIORITIES, LOYALTY, AND TRUST IN FIDUCIARY DUTY

As a result, a decision will have different impacts in the short and long term, depending on the interests and situation of each stakeholder.

Each of these decisions must be carefully examined so that significant impacts can be anticipated.

A professional accountant is given the right to provide important public services to the community because he must maintain the trust contained in his public service duties

Financial statement fraud:

- Manipulating financial reporting data for specific purposes → tax avoidance, performance management
- Reporting profit for the coming year/deferring income
- Postpone fees/add fees

TASK PRIORITIES, LOYALTY, AND TRUST IN FIDUCIARY DUTY

A professional accountant must not only have expertise, but he/she must also:

1. apply these skills by:
courage, honesty, integrity, objectivity, constant concern, competence, and confidentiality.
2. Comply with Standard

Value Added Professional Accountant

The assessment of a professional accountant consists of:

- regarding what services are offered
- how to do it
- understanding of the importance added by professional accountants.

Credibility is the added value of professional accountants.

Value Added Professional Accountant

In particular, the important value added by professional accountants lies in the expectation that any services offered will be based on integrity and objectivity, and these values, in addition to meeting minimum standards of competence, include credibility and certainty in reporting and activities.

KASUS : MEMBAGIKAN INFORMASI RAHASIA KEPADA TEMAN

Pada 1 Juli 2013, Scott London , mantan rekanan auditKPMG, dinyatakan bersalah atas penipuan sekurutas. Dia telah menyampaikan informasi kepada temannya, Bryan Shaw, lebih dari priode 2 tahun yang berakhir pada 2012.

Dia mengatakan kepada temannya mengenai pengumuman laba oleh Herbalife Ltd. Dan Sketcher USA Inc. serta rencana merger antara RCS Holdings dengan United Rentals dan pengambilalihan Pasific Capital Bankcorp oleh Union Bank. Secara keseluruhan, Shaw diberi uang tip sebanyak 14 kali lipat dan menggunakan informasi tersebut untuk menghasilkan laba sekitar \$1,3 juta dalma perdagangan.

Mengapa rekanan senior dengansengaja melanggar aturan kerahasiaan? Kerahasiaan merupakan nilai penting profesi akuntansi. London menyatakan bahwa dia hanya membantu seorang teman yang memiliki bisnis perhiasan yang

Sedang berada dalam kesulitan keuangan. London telah menasehatinya bahwa hal yang mustahil dia akan tertangkap. Regulator tidak tidak melihat pada "bagian kecil" dia menasehati temannya. Lebih lanjut Shaw berpendapat bahwa rekan golfnya hanya menghasilkan sedikit laba dan tips yang telah dia berikan. Dia berspekulasi bahwa besarnya sekitar \$200.000 dan terkejut Ketika dia mempelajari bahwa jumlahnya di atas \$1 juta. Dia mengatakan bahwa dia "hendak muntah" Ketika dia mempelajari besarnya laba Shaw

London membantah bahwa dia tidak pernah meminta untuk dibagikan sedikit dari laba perdagangan, meskipun dia menerima uang sebesar \$60.000 dan jam tangan Rolex senilai \$12.000 dari Shaw. Sebagian transaksi pembayaran uang tertangkap oleh kamerapengawas berupa foto Shaw dan London di tempat

Parkir. Akan tetapi London menyatakan bahwa ini merupakan hadiah kecil dari seorang teman dan jumlahnya tidak material jika dikaitkan dengan remunerasi London sebagai rekanan audit KPMG yang bertanggung jawab atas wilayah Pacific Southwest.

Konsekuensi negative dari insider trading tersebut adalah secara langsung dan tidak langsung. London, dapat dipenjara selama 20 tahun, dijatuhi hukuman selama 14 bulan pada April 2014. Meskipun KPMG tidak terlibat dalam perbuatan jahat tersebut, tetapi KPMG mengundurkan diri sebagai auditor, baik bagi Herbalife maupun Sketchers. London menjadi rekanan yang bertugas pada kedua audit tersebut. KPMG mengatakan bahwa mereka meninjau Kembali kendali dan prosedur internal terhadap terbitnya informasi yang rahasia. Mereka

menyatakan bahwa kendali mereka “aman dan efektif” , tetapi mereka tetap meningkatkan pemantauan dan pelatihannya.

Peristiwa ini memperbarui perdebatan yang terkait dengan larangan insider trading. Hal ini mendukung tidak adanya larangan yang menyatakan bahwa harga saham ditetapkan dengan lebih efisien dan cepat, tetapi sebagaimana ditunjukkan dalam buku ini yang dibahas sebelumnya, insider trading bukan kejahatan tanpa korban. KPMG tentu menyetujuinya

Ditanya:

1. Apakah perusahaan akuntansi harus mengundurkan diri sebagai auditor perusahaan Ketika rekanan yang bertugas atas audit dihukum karena

-
- Menyampaikan informasi yang rahasia perihal klien yang akan diaudit?
2. Bagaimana perusahaan akuntansi dapat memastikan bahwa rekanan dan staf mereka tidak akan menyampaikan informasi yang rahasia?

TAHNK YOU



ETHICS AND CORPORATE GOVERNANCE

Meeting 9

Accountants: Professional & Legal Responsibilities

OLEH:
Dyah Cahyasari, SE, MM.



Purpose of the Accounting Profession

Goals of the accounting profession:

1. fulfill their responsibilities with the highest standards of professionalism,
2. achieve the highest level of performance, with an orientation to the public interest.



Public Expectations of Professional Accountant

Have the values needed in carrying out their duties:

- Competence in the field
- Objectivity in service
- Integrity in dealing with clients
- Maintain confidentiality of matters relating to clients
- Professional skepticism
- Discipline at work

Judgment & Value

- ❑ Important to value added
- ❑ Development of judgment & Values

Table 6.3 – 459 motivate Influencing
People at Kohlberg's Six Stage of Moral
reasoning.

Table 6.3 – 459

Motives Influencing People at Kohlberg's Six Stages of Moral Reasoning	
STAGE DESCRIPTION	MOTIVE FOR DOING RIGHT
<i>Preconventional</i>	
1. Obedience	<i>Self-interest</i> Fear of punishment and authorities
2. Egotism—instrumental and social exchange	Self-gratification, concern only for oneself “Let’s make a deal”
<i>Conventional</i>	
3. Interpersonal concordance	<i>Conformity</i> Role expectation or approval from others
4. Law and duty (social order)	Adherence to moral codes or to codes of law and order
<i>Postconventional, Autonomous, or Principled</i>	
5. General individual rights and standards agreed on by society	<i>Interests of Others</i> Concern for others and broader social welfare
6. Self-chosen principles	Concern for moral or ethical principle

Four basic things that must be met to achieve the goals of the profession:

- **Professionalism**, individuals who can be clearly identified by service users
→ **Accountants**, as professionals in the accounting field.
- **Service Quality**, there is a belief that all services obtained from accountants are provided with the highest performance standards.
- **Trust**, users of accountant services must be able to obtain / feel confident that there is a professional ethical framework that underlies the provision of services by accountants.
- **Credibility**

Source of Ethics Guidelines

FAC (international federation of accountants)

- The International Federation of Accountants (IFAC) is the global organization for the accounting profession.
- The organization, through its independent standard-setting board, establishes international standards on ethics, auditing and assurance, accounting education, and public sector accounting. It also issues guidelines for encouraging high-quality performance by professional accountants in business.
- These standards are based on the International Financial Reporting Standards (SAK) issued by the IASB with suitable and relevant modifications for public sector accounting.

Source of Ethics Guidelines

PCAOB (public company accounting oversight board)

an agency tasked with supervising, regulating, inspecting, and disciplining accounting firms in their role as auditors of public companies.

IASB (international accounting standards of board)

Source of Ethics Guidelines

Court Decisions

Code of Conduct:

- Employee
- IFAC, PCAOB, SEC etc
- Local Professional accounting bodies
 - IAI
 - SPAP

The basic structure & framework of the IFAC code of Conduct

IFAC Mission:

"Developing and perfecting the accounting profession globally, with harmonized standards so that it can consistently provide the highest quality services for the public interest". (IFAC -2005)

Approach to understanding IFAC (Brooks)

- code of ethics structure
- Basic framework
- Independence guarantee
- Actions to reduce the risk of conflicts of interest

Fundamental Principles in the Professional Accountant Code of Ethics

Members are required to:

- Acting in the public interest
- Maintain professional reputation
- Work with integrity, objectivity, independence, professional competence, due care, professional skepticism and confidentiality.
- Not associated with misleading or erroneous information

Code of ethics basic principles of the profession- IFAC 2015

- Integrity
In order to maintain and enhance public trust, each member must fulfill his/her professional responsibilities with the highest possible integrity.
- Objectivity
Each member must maintain objectivity and be free from conflicts of interest in fulfilling their professional obligations.
- Confidentiality
Each member must respect the confidentiality of information obtained in the course of performing professional services and must not use or disclose such information without consent.

Code of ethics basic principles of the profession- IFAC 2015

- Professional Competence and Due Care

Each member must carry out his professional services with prudence, competence and diligence

Members have an obligation to maintain professional knowledge and skills at the required level. This is to ensure that clients benefit from competent professional services based on the latest developments in practice, and techniques.

- Professional Behavior

Each member must behave in a manner consistent with the good reputation of the profession and stay away from actions that can discredit the profession

Code of professional ethics- AICPA (american institute of certified public accountant)

- Professional Responsibilities

In carrying out their responsibilities as professionals, each member must always use moral and professional considerations in all activities they carry out.

- Public Interest

Each member is obliged to always act within the framework of serving the public, respecting public trust, and demonstrating a commitment to professionalism.

- Integrity

In order to maintain and enhance public trust, each member must fulfill his professional responsibilities with the highest possible integrity

- Objectivity

Each member must maintain objectivity and be free from conflicts of interest in fulfilling their professional obligations.

Code of professional ethics- AICPA (american institute of certified public accountant)

- Due care

Each member adheres to professional technical standards and continuously improves competence.

- Technical Standards on the nature and scope of services.

Each member shall perform his professional services in accordance with relevant technical and professional standards. In accordance with their expertise and with care, members have an obligation to carry out assignments from service recipients as long as the assignment is in line with the principles of integrity and objectivity.

Code of ethics vs application of ethics

Weakness

- Ethical issues often require external (legal) consultation rather than resolution in professional associations.
- Fair reporting systems, investigations and vetting processes are sometimes not visible, thus confusing the members.
- There is no legal protection system offered for someone who uncovers a crime
- Sanctions are not clear.

Code of ethics vs application of ethics

Frequently unresolved issues

- ❑ Conflict of interest between stakeholders
- ❑ Mechanism for reporting crime/organizational irregularities
- ❑ Adequate protection for the whistle blower
- ❑ Decision making based on judgment / judgment

Professional Accountant Challenge

- ❑ Threats to independence
- ❑ Conflict of interest
- ❑ Lack of competence



Threats to independence

- self interest
- Kinship
- Intimidation

IFAC 2015_code of ethics conceptual Framework Approach



Conflict of interest

Type of conflict of interest:

- ❑ Self interest vs others (other stakeholders)
 - Reduced service quality for lower prices
- ❑ Self-interest and others vs others
 - Prioritize more influential stakeholders
- ❑ Client interests vs other clients
 - Serve more than one client
- ❑ Interests of certain stakeholders vs other stakeholders
 - Internal vs. public (external) management

Conflict of Interest Management

- Awareness through understanding the Code of Ethics
- Initial & ongoing training
- Organizational understanding and commitment to conflict of interest issues
- Supervision
- Reward and punishment guidelines
- Reporting system

The scope of activities affected

- Services offered
- Abuse of influence/authority
- Use and misuse of information (confidentiality)

Legal system (jurisprudence)

- Function:
- Overcome excessive legal responsibilities for accountants.

Protection for Accountants

- Improving competence, Due diligence & Due Care
- Comply with professional regulations
- Contribution to negligence → management has a share / contribution to error

Protection for Accountants

1. Provisions in the employment contract/agreement letter:
 - Narrowing the scope of work
 - Compensation according to assignment
 - Auditor's authority to change/give opinion/conclusion
 - Liability claims against auditors are fully stated
 - The authority of the auditor to compile documents and document conclusions that are used by the public.
2. lawyer for auditors

Expansion of accountant responsibilities

support good corporate governance (GCG)

- Ethical corporate culture
- Company code of conduct
- Ethical risk control system
- Reports focused on stakeholders

KASUS

Multidisciplinary practices

The Management Choice

Multidisciplinary practices

Praktek –praktek multi disiplin atau MDP, mungkin merupakan perkembangan yang tidak dapat dielakkan. Klien menginginkan – one stop shopping- di sebuah KAP Profesional dimana para klien berharap mendapatkan semua yang mereka butuhkan, dan mitra yang bertanggungjawab atas pekerjaan bisa memberitahukan jasa-jasa yang mungkin pantas digunakan. Beberapa jasa baru yang ditawarkan termasuk:

1. jasa hukum
2. jasa teknik
3. jasa investasi
4. jasa penilaian risiko
5. jasa etika dan integritas

Multidisciplinary practices

Jasa-jasa baru ini terutama di area jasa hukum telah meningkatkan derajat kontroversi yang tinggi diantara mitra-mitra akuntan. Trevor, seorang mitra yang lebih tua dan Dhana, seorang mitra baru dan lebih muda, asyik berdiskusi tentang masalah dan manfaat –manfaat yang akan dibawa oleh organisasi baru.

“Trey, saya tidak terlalu mengerti apa masalahmu. Kita akan semakin berguna bagi klien-klien kita- itu intinya, bukan?”

“saya kira begitu D, tetapi semua jasa-jasa baru ini membawa para ahlinya sendiri. Apakah para pengacara maupun para insinyur akan mengesampingkan kode etik mereka untuk berbuat sesuai kode etik kita?”

Multidisciplinary practices

"kepada siapa mereka melapor- saya tidak punya keahlian hukum maupun teknik yang cukup untuk melakukan supervise bagi mereka. Jadi bagaimana saya bisa memastikan mereka berbuat sesuai standar jasa dan kualitas akuntansi? Bukankan saya akan menganggap diri saya penyelia mereka atau anggapan yang salah? Jika ada sesuatu yang salah bukankan kita yang akan dituntut?"

"satu lagi, D, seiring proporsi operasi kita di jasa-jasa baru ini bertumbuh, bukankan keseluruhan KAP berpegang pada fokus klien seperti halnya bisnis lainnya? Sebagai akuntan professional, kita seharusnya melayani public-itulah yang mencegah kita memalsukan angka-angka dan laporan audit untuk menguntungkan manajemen dan shareholders sekarang.

Multidisciplinary practices

Apakah kamu pikir para ahli baru ini akan percaya pada fokus public dibandingkan klien dimana untung dan rugi perusahaan menentukan keputusan? Bagaimana kita akan membuat mereka tetap di jalan yang lurus dan sempit, meskipun sedari awal kita telah menempatkan mereka di jalan lurus dan sempit?"

"Trey, anda memang memiliki banyak kekhawatiran. Seberapa dekat anda dengan masa pensiun anda? ya saya baru saja menerima telp dari CEO kita, Hajjad. Ia ingin saya mempertimbangkan alih praktik etika dan integritas kita. Katakanlah – anda tidak memiliki apapun yang bisa saya pelajari di area itu, iya kan?"

Multidisciplinary practices

Pertanyaan:

1. Apa jawaban anda terhadap pertanyaan-pertanyaan yang diajukan dalam kasus diatas?
2. Apa konflik yang mungkin timbul dengan kondisi diatas terhadap bisnis /KAP dimana tery dan Dhana berada?
3. Rekomendasi apa yang akan anda berikan untuk situasi tersebut, dalam upaya untuk tetap menjaga profesionalisme dan memenuhi ekspektasi publik?

The Management Choice

Anne Distagne, merupakan CEO Linkage Construction Inc., yang bertindak sebagai kontraktor umum pembangunan saluran udara untuk sebuah pusat perbelanjaan besar dan gedung-gedung lainnya. Dia membanggakan dirinya mampu mengelola perusahaan secara efektif dan teratur.

Selama bertahun tahun tingkat pertumbuhan stabil sebesar 22-25%. Pertumbuhan yang stabil ini memudahkan segala hal menyangkut kesepakatan dengan bank dan pihak kreditor lainnya. Namun, bagi Sue Fault- Direktur Keuangan, keadaan tersebut sekarang sudah berubah.

"Sue, kita punya masalah. Anda tau, kebijakanku tentang pertumbuhan, mengakibatkan pencapaian kita terlalu baik tahun ini. Laba kita terlalu tinggi mencapai 35%, dibandingkan tahun lalu. Apa yang harus kita lakukan adalah menurunkan sedikit laba tahun ini dan menyimpan untuk tahun depan. Saya

The Management Choice

tidak ingin melenceng dari jalur yang sudah dikelola dengan baik. Siapa tau, tahun depan kita akan kekurangan laba. Apa yang bisa kita lakukan?" Saya mendengar, kita bisa menyatakan beberapa pekerjaan konstruksi kita tidak seperti progress yang diharapkan, jadi kita bisa memasukkan laba yang lebih rendah. Juga, kita bisa membebaskan biaya R&B senilai \$ 124.000 dari WIP sebagai beban tahun ini".

"Dengar Sue, jangan berikan aku akuntan yang berkualitas dan selalu mematuhi peraturan perofesimu. Kamu dipekerjakan oleh Linkage Construction, dan saya adalah bos kamu, jadi lakukan saja. Beritahu saya angka-angka yang sudah direvisi sesegera mungkin".

The Management Choice

Pertanyaan:

1. Siapa pemangku kepentingan yang terlibat dalam keputusan ini?
2. Isu etis apa saja yang ada?
3. Apa yang harus Sue lakukan?

Due Diligence, Due care & skeptisme profesional

- Due Diligence: conduct a thorough/complete examination with prudence.
- Due care: the principle of prudence in acting / carrying out a task
 - Due Professional care: careful and thorough professional skill. SPAP No. 4, accuracy and thoroughness requires auditors to exercise professional skepticism. The use of professional skepticism allows the auditor to obtain reasonable assurance that the financial statements are free from material misstatement, whether caused by error or fraud

Due Diligence, Due care & skeptisme profesional

- Skeptisme profesional:
 - ❑ sikap ragu-ragu atas suatu pernyataan / transaksi yang belum didukung bukti yang memadai
 - ❑ Sikap untuk selalu berpikir kritis terhadap bukti audit dengan selalu mempertanyakan dan melakukan evaluasi terhadap bukti audit tsb.
 - ❑ Bagian dari sikap due care

TAHNK YOU



ETHICS AND CORPORATE GOVERNANCE

Meeting 10

Ethics & Governance Scandals

OLEH:
Dyah Cahyasari, SE, MM.



Effect of financial & ethical scandals on public judgment

- ❑ Sparking public anger

- ❑ The public is increasingly sensitive to standards of business conduct:
 - tolerance level decreases.
 - The assessment of the company's credibility is declining



Ethical Behavior & Development in Business Ethics

- Philosophical approach
- Business ethics concepts → stakeholder concepts & corporate social contract
- Decision-making approach (consequence, deontology, virtue)

Effects of ethical scandals on public judgment:

- Demanding improvement in the professionalism of business people.
- The company must restore the level of trust in the GCG that is implemented.

Big10 Acctg scandals in the world



Big 10 Accounting scandals

1. Waste Management
2. Enron
3. Worldcom
4. Tyco
5. Healthsouth
6. Freddie Mac
7. AIG
8. Lehman Brothers
9. Bernie Madoff
10. Satyam Corp

Time line:

1929 - 1970

- black Tuesday, stock market crash
- economic depression
- manipulation, uncontrollable inflation

Regulation?

- started to be made but not yet implemented strictly
- minimum penalty

Regulation before 1970

- 1933 - Securities Act: rules for companies going public.
- 1933 - Glass-Steagall Act/the banking act: separation between commercial banks, which accept deposits and
provide loans with investment banks, which are underwriters, issuers, and distributions of stocks, bonds and securities
- 1934 - Securities Act: regulation for secondary trading of securities
- 1940 - Investment Adviser Act

Time Line

- 1970 -1990

public concern arises over:

- ❖ Consumer protection and behavior
- ❖ Regulations that are concerned with: fair trade, fair wage, child labor.
- ❖ Anti-bribery

Time Line

- 1990 - present
 - ❖ enhance the role of whistle-blowers
 - ❖ Improve health & safety
 - ❖ Encouraging fair transactions
 - ❖ Reduce conflicts of interest
 - ❖ Ensuring reasonable & fair employment practices

Significant Ethics & Governance Scandals

- Enron- failure of the BOD
- Arthur Andersen – non-compliance with organizational ethics
- Worldcom – central decision (one man)
- Crisis of Confidence:
 - ❖ Adelphia Corp
 - ❖ Auro Foods
 - ❖ Sunbeam Corp

KAP Arthur Andersen

- Arthur Andersen adalah sebuah perusahaan jasa akuntansi yang didirikan oleh Arthur Andersen pada tahun 1913 dan berbasis di Chicago. KAP ini termasuk ke dalam kelompok “The big-5” yang terbentuk sejak bulan juli 1998. KAP ini melakukan audit pada perusahaan-perusahaan raksasa seperti Enron, Merck, WorldCom, KPNQwesr, dan sejumlah perusahaan besar lainnya. Selain itu, Arthur Andersen juga menjalankan bisnis jasa assurance.
- KAP mengaudit Enron sejak 1985 dan selalu memberikan pendapat wajar tanpa syarat sampai tahun 2000. Enron dinyatakan pailit pada 2 Desember 2001 dan menyeret akuntan publik Arthur Andersen karena memanipulasi labanya. Pada tahun 2001, KAP ini harus membayar \$32 Milyar.

KAP Arthur Andersen

- During 1980
 - Focus on providing non audit services, including providing advice to structure transaction.
 - Revenue generation became a key to promotion
 - Pressure to reduce audit cost increased
 - Audit partner allowed to override the ruling of QC partners

- Conflict of interest → fees from non audit services greater than audit services.

Types of Scandal

- Tax shelter
- Subprime mortgage
- Bernie Madoff
- The LIBOR (london interbank offered rate) scandals
- Bribery Attracts prosecutions
- Automaker's sins
- Drugmakers raise price
- Panama papers released

Ethical scandals and their impact on regulation

- Enron, Arthur Andersen, dan WorldCom menyebabkan diterbitkannya Sarbanes-Oxley Act dan pernyataan U.S. Securities and Exchange Commission yang memperbaiki tata kelola perusahaan dan profesi akuntansi.
- Krisis pinjaman subprime yang menghasilkan pembatasan tata kelola pada Wall Street dan bank investasi.

Corporate Governance Improvement

- Sarbanes Oxley Act 2002:
 - ❖ Management responsibilities
 - internal control, financial accurate, complete, transparent
 - ❖ Reduce Conflict of interest
 - Disclosure management stock trade vs investors
 - ❖ Code of conduct for all corporate transactions
 - Responsibilities of auditors and audit committee
 - ❖ The audit committee must be independent
 - Financial capabilities and expertise
 - ❖ Auditor report free from management interest
 - Auditors only provide audit and tax services

Sign of Ethical Collaps *(the* seven sign of ethics collapse-Jennings

1. Pressure to meet financial targets/objectives by any means.
2. There is no culture that encourages everything to be done honestly and openly.
3. Anti-critical leader behavior
4. BOD who doesn't carry out fiduciary duties properly
5. Nepotism Culture
6. Rules only for certain levels
7. Poor ethical behavior in one area will be offset with good behavior in anothe



The impact of the ethics scandal on the development of business ethics

Raise awareness of:

- Current ethical trends
- The existence of practices that involve conflicts of interest and control over personal interests
- Maintaining reputation becomes more important

KASUS: WASTE MANAGEMENT SCANDAL (1998)

- Company: Houston-based publicly traded waste management company
- What happened: Reported \$1.7 billion in fake earnings.
- Main players: Founder/CEO/Chairman Dean L. Buntrock and other top executives; Arthur Andersen Company (auditors)
- How they did it: The company allegedly falsely increased the depreciation time length for their property, plant and equipment on the balance sheets.
- How they got caught: A new CEO and management team went through the books.
- Penalties: Settled a shareholder class-action suit for \$457 million.
SEC fined Arthur Andersen \$7 million.
- Fun fact: After the scandal, new CEO A. Maurice Meyers set up an anonymous company hotline where employees could report dishonest or improper behavior.

ENRON SCANDAL (2001)

- Company: Houston-based commodities, energy and service corporation
- What happened: Shareholders lost \$74 billion, thousands of employees and investors lost their retirement accounts, and many employees lost their jobs.
- Main players: CEO Jeff Skilling and former CEO Ken Lay.
- How they did it: Kept huge debts off balance sheets.
- How they got caught: Turned in by internal whistleblower Sherron Watkins; high stock prices fueled external suspicions.
- Penalties: Lay died before serving time; Skilling got 24 years in prison. The company filed for bankruptcy. Arthur Andersen was found guilty of fudging Enron's accounts.
- Fun fact: Fortune Magazine named Enron "America's Most Innovative Company" 6 years in a row prior to the scandal.

WORLDCOM SCANDAL (2002)

- Company: Telecommunications company; now MCI, Inc.
- What happened: Inflated assets by as much as \$11 billion, leading to 30,000 lost jobs and \$180 billion in losses for investors.
- Main player: CEO Bernie Ebbers
- How he did it: Underreported line costs by capitalizing rather than expensing and inflated revenues with fake accounting entries.
- How he got caught: WorldCom's internal auditing department uncovered \$3.8 billion of fraud.

WORLD COM SCANDAL (2002)

- Penalties: CFO was fired, controller resigned, and the company filed for bankruptcy. Ebbers sentenced to 25 years for fraud, conspiracy and filing false documents with regulators.
- Fun fact: Within weeks of the scandal, Congress passed the Sarbanes-Oxley Act, introducing the most sweeping set of new business regulations since the 1930s.

TYCO SCANDAL (2002)

- ❑ Company: New Jersey-based blue-chip Swiss security systems.
- ❑ What happened: CEO and CFO stole \$150 million and inflated
- ❑ company income by \$500 million.
- ❑ Main players: CEO Dennis Kozlowski and former CFO Mark Swartz.
- ❑ How they did it: Siphoned money through unapproved loans and fraudulent stock sales. Money was smuggled out of company disguised as executive bonuses or benefits.
- ❑ How they got caught: SEC and Manhattan D.A. investigations uncovered questionable accounting practices, including large loans made to Kozlowski that were then forgiven.

TYCO SCANDAL (2002)

- ❑ Penalties: Kozlowski and Swartz were sentenced to 8-25 years in prison. A class-action lawsuit forced Tyco to pay \$2.92 billion to investors.
- ❑ Fun fact: At the height of the scandal Kozlowski threw a \$2 million birthday party for his wife on a Mediterranean island, complete with a Jimmy Buffet performance.

HEALTHSOUTH SCANDAL (2003)

- ❑ Company: Largest publicly traded health care company in the
- ❑ U.S.
- ❑ What happened: Earnings numbers were allegedly inflated
- ❑ \$1.4 billion to meet stockholder expectations.
- ❑ Main player: CEO Richard Scrushy.
- ❑ How he did it: Allegedly told underlings to make up numbers
- ❑ and transactions from 1996-2003.
- ❑ How he got caught: Sold \$75 million in stock a day before the company posted a huge loss, triggering SEC suspicions.

HEALTHSOUTH SCANDAL (2003)

- ❑ Penalties: Scrushy was acquitted of all 36 counts of accounting fraud, but convicted of bribing the governor of Alabama, leading to a 7-year prison sentence.
- ❑ Fun fact: Scrushy now works as a motivational speaker and
- ❑ maintains his innocence.

FREDDIE MAC (2003)

- ❑ Company: Federally backed mortgage-financing giant.
- ❑ What happened: \$5 billion in earnings were misstated.
- ❑ Main players: President/COO David Glenn, Chairman/CEO Leland Brendsel, ex-CFO Vaughn Clarke, former senior VPs Robert Dean and Nazir Dossani.
- ❑ How they did it: Intentionally misstated and understated earnings on the books.
- ❑ How they got caught: An SEC investigation.
- ❑ Penalties: \$125 million in fines and the firing of Glenn, Clarke and Brendsel.
- ❑ Fun fact: 1 year later, the other federally backed mortgage financing company, Fannie Mae, was caught in an equally stunning accounting scandal.

AMERICAN INTERNATIONAL GROUP (AIG) SCANDAL (2005)

- Company: Multinational insurance corporation.
- What happened: Massive accounting fraud to the tune of \$3.9 billion was alleged, along with bid-rigging and stock price manipulation.
- Main player: CEO Hank Greenberg.
- How he did it: Allegedly booked loans as revenue, steered clients to insurers with whom AIG had payoff agreements, and told traders to inflate AIG stock price.
- How he got caught: SEC regulator investigations, possibly tipped off by a whistleblower.

AMERICAN INTERNATIONAL GROUP (AIG) SCANDAL (2005)

- Penalties: Settled with the SEC for \$10 million in 2003 and \$1.64 billion in 2006, with a Louisiana pension fund for \$115 million, and with 3 Ohio pension funds for \$725 million. Greenberg was fired, but has faced no criminal charges.
- Fun fact: After posting the largest quarterly corporate loss in history in 2008 (\$61.7 billion) and getting bailed out with taxpayer dollars, AIG execs rewarded themselves with over \$165 million in bonuses.

LEHMAN BROTHERS SCANDAL (2008)

- Company: Global financial services firm.
- What happened: Hid over \$50 billion in loans disguised as sales.
- Main players: Lehman executives and the company's auditors, Ernst & Young.
- How they did it: Allegedly sold toxic assets to Cayman Island banks with the understanding that they would be bought back eventually. Created the impression Lehman had \$50 billion more cash and \$50 billion less in toxic assets than it really did.
- How they got caught: Went bankrupt.
- Penalties: Forced into the largest bankruptcy in U.S. history. SEC didn't prosecute due to lack of evidence.
- Fun fact: In 2007 Lehman Brothers was ranked the #1 "Most Admired Securities Firm" by Fortune Magazine.

BERNIE MADOFF SCANDAL (2008)

- ❑ Company: Bernard L. Madoff Investment Securities LLC was a Wall Street investment firm founded by Madoff.
- ❑ What happened: Tricked investors out of \$64.8 billion through the largest Ponzi scheme in history.
- ❑ Main players: Bernie Madoff, his accountant, David Frierling, and Frank DiPascalli.
- ❑ How they did it: Investors were paid returns out of their own money or that of other investors rather than from profits.
- ❑ How they got caught: Madoff told his sons about his scheme and they reported him to the SEC. He was arrested the next day.

BERNIE MADOFF SCANDAL (2008)

- ❑ Penalties: 150 years in prison for Madoff + \$170 billion restitution.
- ❑ Prison time for Friehling and DiPascalli.
- ❑ Fun fact: Madoff's fraud was revealed just months after the 2008
- ❑ U.S. financial collapse.

SATYAM SCANDAL (2009)

- Company: Indian IT services and back-office accounting firm.
- What happened: Falsely boosted revenue by \$1.5 billion.
- Main player: Founder/Chairman Ramalinga Raju.
- How he did it: Falsified revenues, margins and cash balances to the tune of 50 billion rupees.
- How he got caught: Admitted the fraud in a letter to the company's board of directors.

SATYAM SCANDAL (2009)

- Penalties: Raju and his brother charged with breach of trust, conspiracy, cheating and falsification of records. Released after the Central Bureau of Investigation failed to file charges on time.
- Fun fact: In 2011 Ramalinga Raju's wife published a book of his existentialist, free-verse poetry

TAHNK YOU



ETHICS AND CORPORATE GOVERNANCE

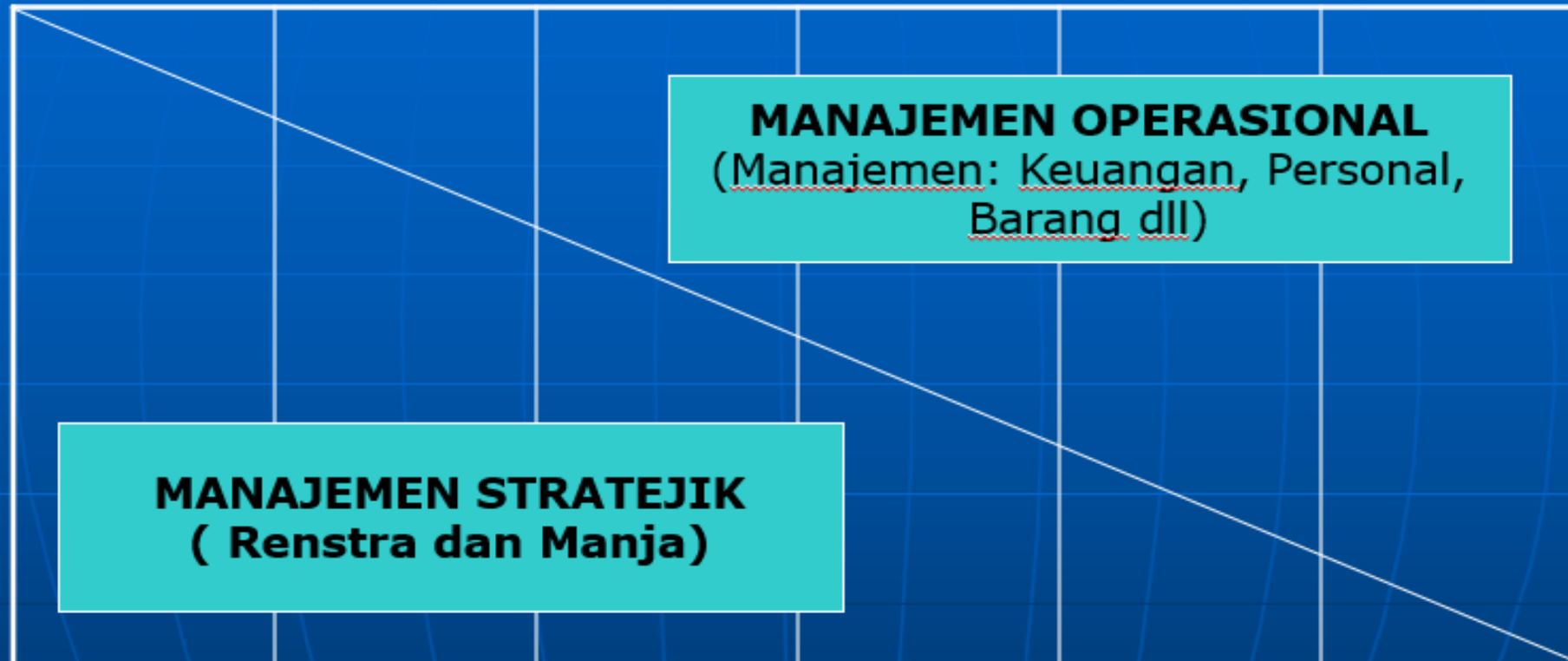
Meeting 11

BALANCED SCORECARD (BSC)

OLEH:
Dyah Cahyasari, SE, MM.



MANAJEMEN STRATEJIK DAN MANAJEMEN OPERASIONAL



Perenc.

Pengorg.

Pelaks.

Monitor.

Pengendal.

Eval.

BSC OVERVIEW

Kata "*Balanced*" (berimbang) berarti adanya keseimbangan diantara 4 perspektif dalam BSC

yang mencakup:

1. Perspektif Keuangan (*Financial*)
2. Perspektif Pelanggan (*Customer*)
3. Perspektif Proses Bisnis Internal (*Internal Business Process*)
4. Pembelajaran dan Pertumbuhan (*Learning and Growth*)

1. Financial Perspective

- The financial perspective is a concern in the BSC because financial measures are economic consequences that occur as a result of decisions and policies. The goal of achieving good financial performance is the focus of the objectives in the other three perspectives (Customer, Int.Bis.Process, Learning & Growth)
- Financial perspective targets are distinguished at each stage in the business cycle, namely: Growth, Sustain (survive), Harvest

2. Customer Perspective

- Core Group: market share, acquisition rate of new customers, ability to retain existing customers, level of customer satisfaction, and level of customer profitability
- - Support group: product attributes (function, price and quality), customer relations, and the image and reputation of the company/organization and its products.

3. Internal Business Process Perspective

- Internal business processes have values that consumers want and can provide the returns expected by shareholders which include innovation, operating processes, and the process of delivering products or services to customers.

4. Learning and Growth Perspective

Develop measurements and objectives to drive the organization to run and grow with the aim of providing the infrastructure to support the achievement of the other three perspectives, taking into account the following factors:

- Employee satisfaction: Involvement in decision making, recognition, access to information, encouragement to do creativity and initiative as well as support from superiors
- Information system capabilities: the information needed is easy to obtain, precise and does not take long to get the information.

- “SCORECARD” adalah:

Kartu yang digunakan untuk mencatat skor performance organisasi dan juga untuk merencanakan skor yang hendak diwujudkan di masa depan

- BSC :

- Konsep manajemen yang membantu menerjemahkan “strategi” ke dalam “tindakan”
- Dikembangkan di awal 1990-an oleh Robert Kaplan dan David Norton, sebagai upaya untuk memantau pencapaian tujuan organisasi, tidak hanya dari perspektif (a) finansial, melainkan dari (b) perspektif pelanggan, (c) penyempurnaan proses internal, serta (d) pembelajaran dan inovasi (pertumbuhan)

DEFINITION

- BSC is a management tool, a measurement system as well as a performance management system, which is able to help various organizations to plan, focus, and manage their strategies. (Jenny Marmen)
- BSC is a strategic management system based on measurement, determines the activities in a strategy, and monitors the performance of the strategy in achieving its objectives. (Robert Kaplan and David Norton)

BSC AND PERFORMANCE MEASUREMENT

1. Performance measurement is one of the important factors in the company / organization. Besides being used to assess organizational success, it is also used to determine the "reward system"
2. BSC is not just a performance measurement tool, but is a form of strategic transformation to all levels in the organization
3. Comprehensive performance measurement is not only financial measures but combines financial and non-financial measures so that the organization can run well

BSC BENEFITS IN PERFORMANCE MEASUREMENT

- Manage the organization's operations effectively and efficiently by motivating employees
- Assist in decision making in terms of promotions, terminations, transfers etc.
- Identify employee development and training needs
- Provide feedback to employees on how superiors rate their performance
- Become the basis for giving rewards or punishments

Each Perspective has 4 important components:

1. Tujuan (*Objectives*)
2. Ukuran / Indikator (*Measures*)
3. Target
4. Inisiatif / Langkah/Upaya (*Initiatives*)

Keempat komponen utama ini diterjemahkan dan diarahkan oleh **VISION** dan **STRATEGY**

BSC as a Framework for Successful Strategy Implementation

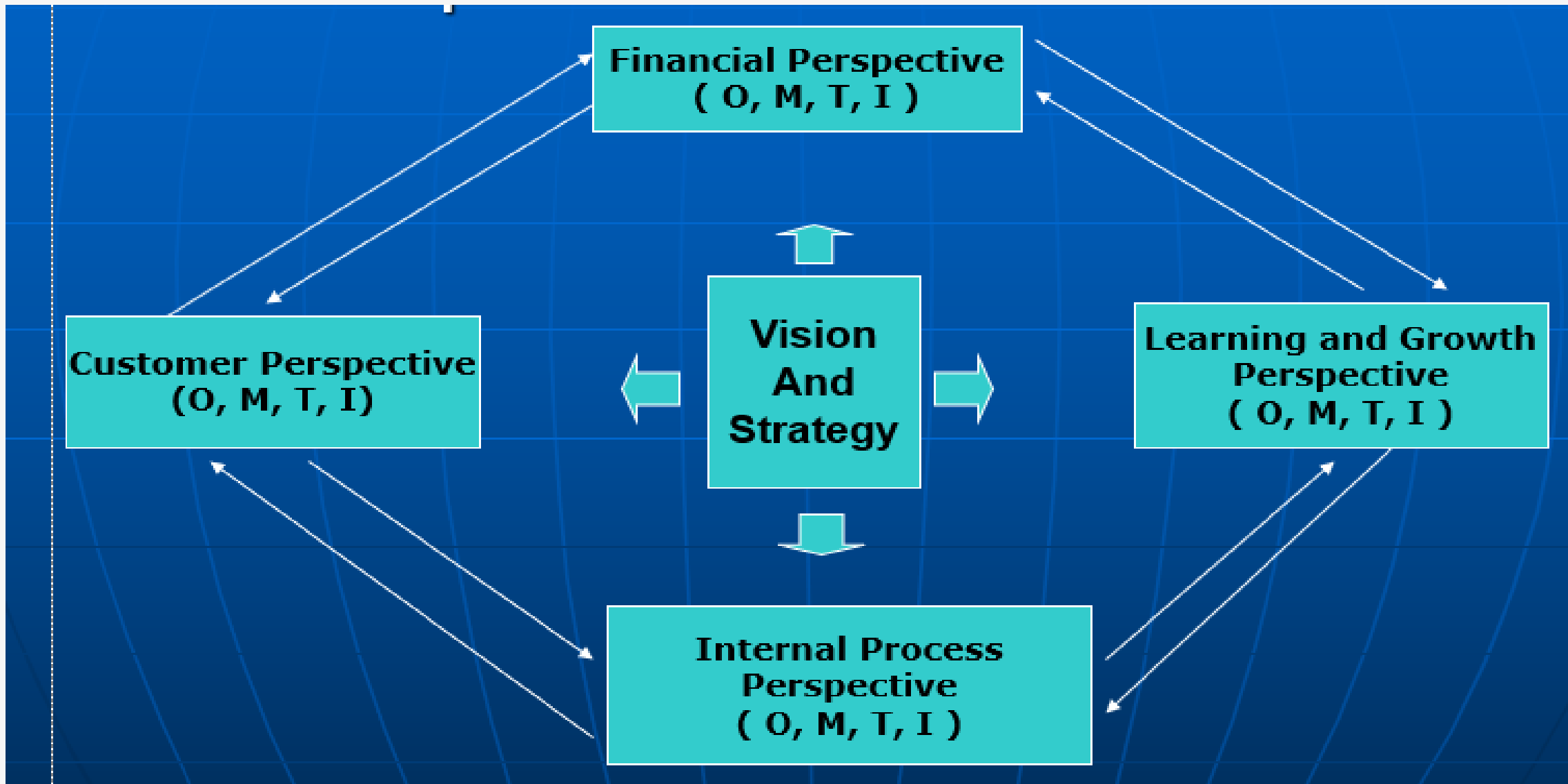
- Mechanisms that translate Strategy into operational terminology and communicate it throughout the organization
- Management system that manages and focuses on Strategy
- Mechanisms that can design the process of key activities that can leverage the driving force of the Strategy
- Mechanisms that align Strategy with individual goals

Why is BSC Relevant, Important and Necessary?

World Challenges of the XXI Century:

- The majority of organizations (especially bureaucracies) are determined by non-financial factors, namely more on social and cultural factors
- Non-financial factors determine financial performance and customer values (officer credibility, formulation and detailing of strategies to programs, activities, budgeting, etc.)
- Strategy formulation is often intervened and is not directly related to program activities in accordance with the VISION and MISSION as well as operational activities

BSC Process with Vision and Strategy



CASE

DINAS PENGELOLAAN KEUANGAN DAERAH PROVINSI SUMATERA BARAT

VISI

(Tahap 1)

Terwujudnya pengelolaan keuangan daerah yang efektif,
efisien, ekonomis, transparan dan akuntabel

MISI

(Tahap 2)

1. Melaksanakan pengelolaan keuangan dan aset daerah
2. Memberikan pelayanan prima dalam pemungutan pendapatan daerah
3. Melaksanakan pertanggungjawaban keuangan daerah secara tepat waktu
4. Meningkatkan pembinaan pengelolaan keuangan daerah
5. Menciptakan koordinasi internal, eksternal dalam rangka pengelolaan keuangan daerah

NILAI (Tahap 3)

-
1. Kejujuran
 2. Kesetiaan
 3. Disiplin
 4. Loyal
 5. Koordinasi
 6. Kebersamaan
 7. Komitmen
 8. Saling menghormati

TUJUAN DAN SASARAN (Tahap 4)

Tujuan :

**Meningkatkan pendapatan asli daerah
dalam rangka menunjang pembangunan
di Provinsi Sumatera Barat**

Sasaran :

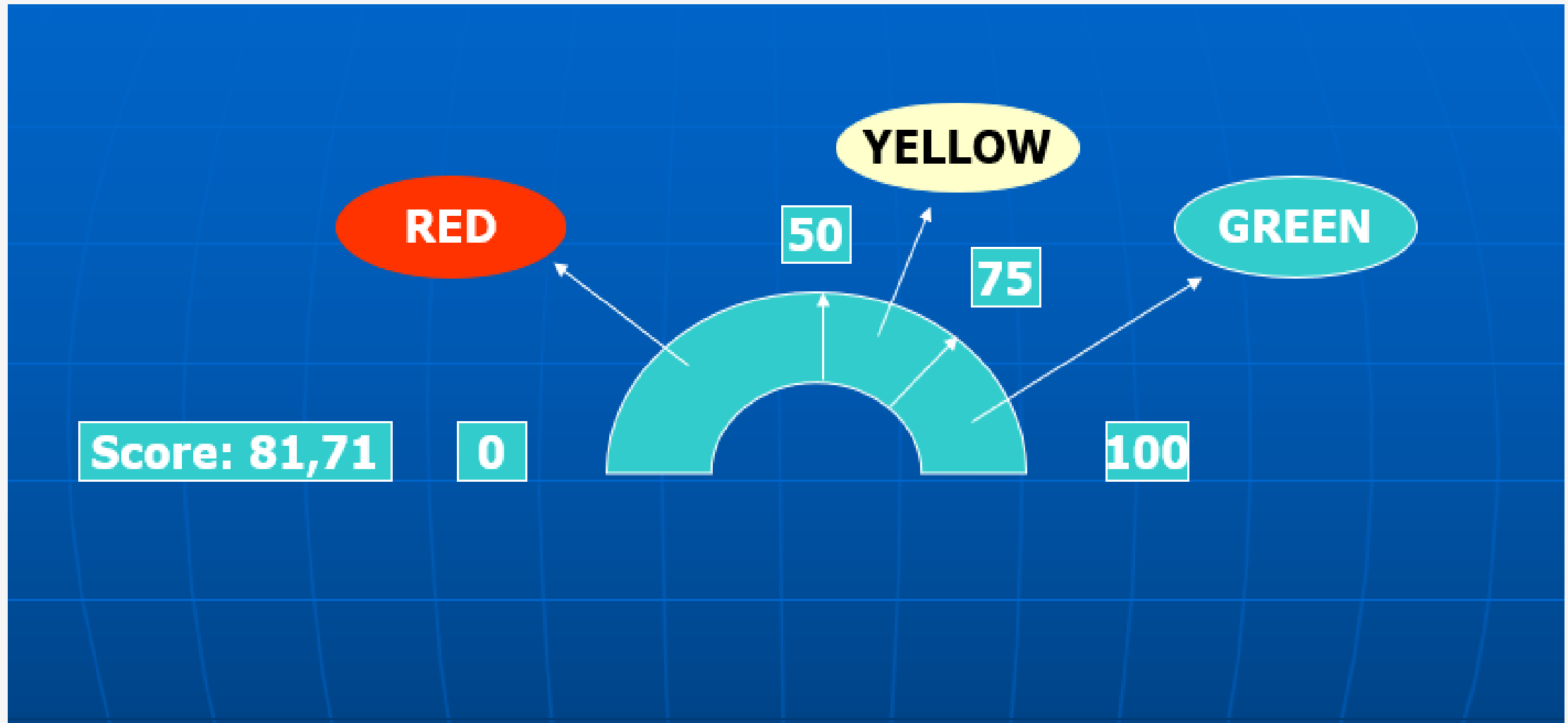
1. **Memberikan pelayanan prima kepada *client***
2. ***Client* puas, dan meningkatnya penerimaan pendapatan dari wajib pajak**
3. **Melaksanakan pertanggungjawaban keuangan daerah secara transparan dan akuntabel**

MATRIKS BALANCED SCORECARD

(Tahap 5)

Perpektif	Peta Strategi	Sasaran Strategi	Indikator Kinerja	Target 2008	Action Plan	Realisasi	Bobot (%)	Score (%)
Finansial	Kat PAD	PAD kat.	% pajak & retribut	1,8 Triliun	Penempatan Ptgs pjk	1,2 Triliun	40	26,66
Pelanggan	Wajib Pajak puas	Fasi Litas yg memadai	Kantor yg bersih dan representatif	100 %	Pembangunan / perbaikan Kantor & fasilitasnya	100 %	30	30
Internal Proses	1. Fasilitas lengkap 2.ISO 9001 – 2000 3.Kompetensi SDM	1. <u>Penerimaan pjk.</u> kat 2.Standar <u>securiti</u> 3.Pelayanan prima	1.Ruang tunggu nyaman 2.Standar Waktu & biaya 3.Kepuasan WP	100 %	1.Melengkapi & merawat fasilitas	100 %	8	8
				100 %	2.Implementasi ISO	70 %	7	4,9
				80 %	3. Pelatihan SDM	60 %	5	3,75
L & G	1.Kat. Layanan 2.Fatkahan Komp	1.Layanan >Cepat 2.Sistem online	1.Waktu Layanan 2.Aksesbi Litas Info	20 menit	1.Pelaksanaan layanan 2.Memb.sistem Inform	20 menit	6	6
				100 %		60 %	4	2,4
BSC							100 %	81,71

DASHBOARD (Tahap 6)



ACTIONS PLAN (Tahap 7)

No.	<u>Kegiatan</u>	<u>Triwulan I</u>	Triwulan II	Triwulan III	Triwulan IV
1	Penempatan petugas pajak	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX
2	Pembangunan / perbaikan Kantor		XXXXXXXXXX	XXXXXXXXXX	
3	Melengkapi / merawat fasilitas	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX
4	Implementasi standar ISO	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX
5	Pelatihan SDM			XXXXXXXXXX	XXXXXXXXXX
6	Pelaksanaan Pelayanan	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX
7	Membangun sistem Informasi			XXXXXXXXXX	<u>XXXXXXXXXX</u>

REKOMENDASI KEBIJAKAN ORGANISASI

(Tahap 8)

-
- 1. Perlu meningkatkan komitmen dan peran pimpinan dalam rangka meningkatkan pendapatan asli daerah di Sumatera Barat.**
 - 2. Perlu meningkatkan kemampuan profesional aparatur pada Dinas Pengelola Keuangan melalui program Diklat.**
 - 3. Perlu menerapkan Standar Pelayanan Minimal dalam pelayanan pendapatan asli daerah melalui sosialisasi dan waskat.**

pengendalian internal

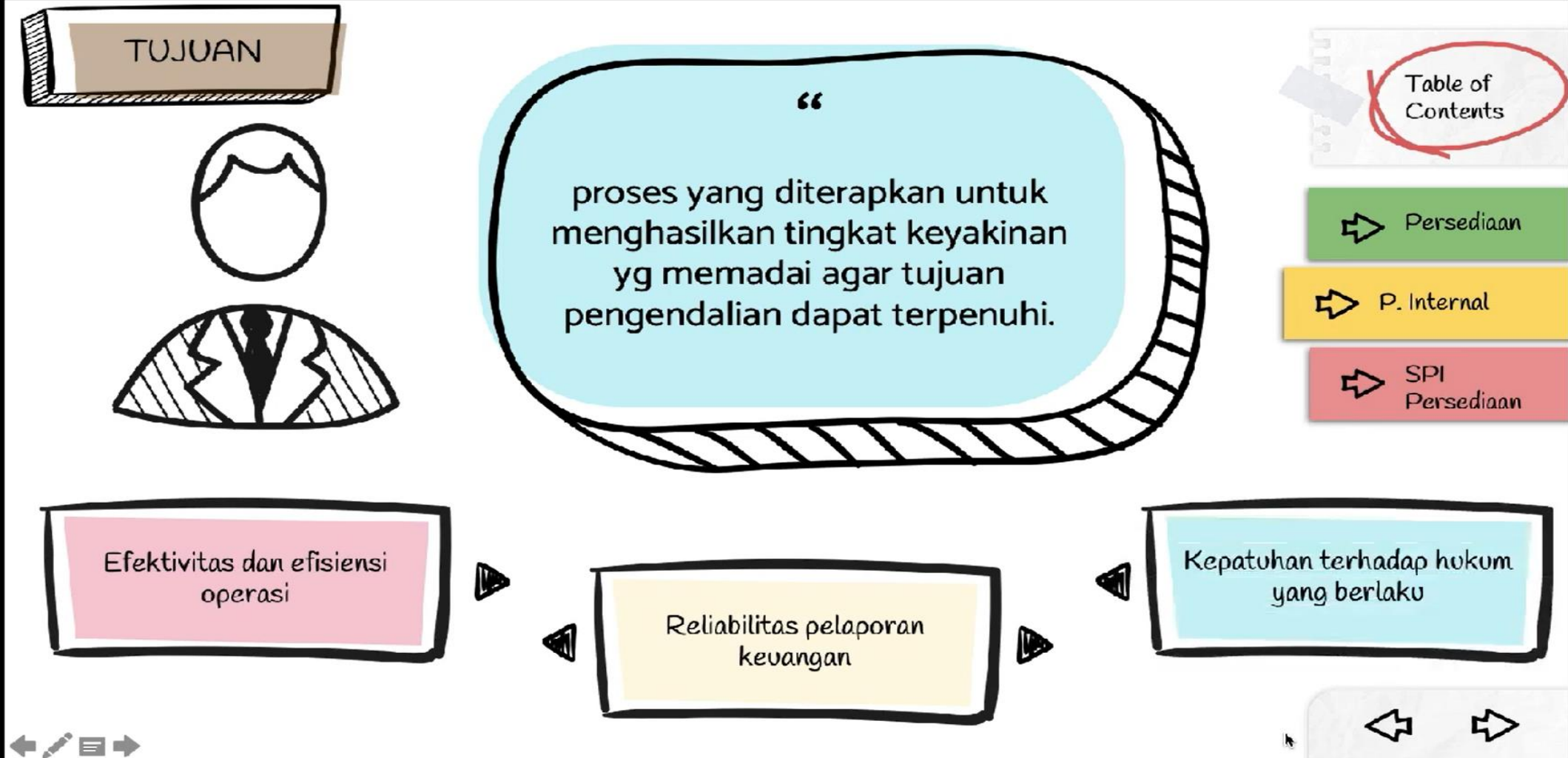
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➔ Persediaan

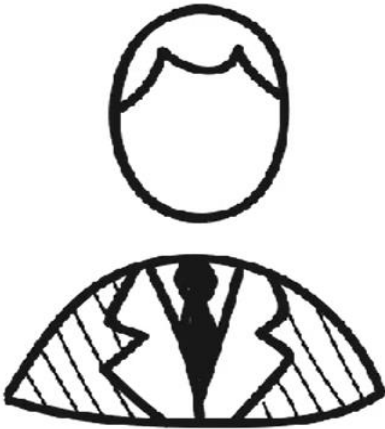
➔ P. Internal

➔ SPI
Persediaan





FUNGSI



Hanya mampu memberikan keyakinan yang memadai karena keyakinan absolut sangat sulit dicapai dan membutuhkan biaya yang besar

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➔ Persediaan

➔ P. Internal

➔ SPI Persediaan

PREVENTIF

DETEKTIF

KOREKTIF



AUDIT

internal



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➔ Persediaan

➔ P. Internal

➔ SPI Persediaan

1
Dilakukan oleh karyawan perusahaan

2
Memonitor kegiatan operasional

3
Mencegah terjadinya fraud

4
Laporan AI berisi penemuan-penemuan



AUDIT



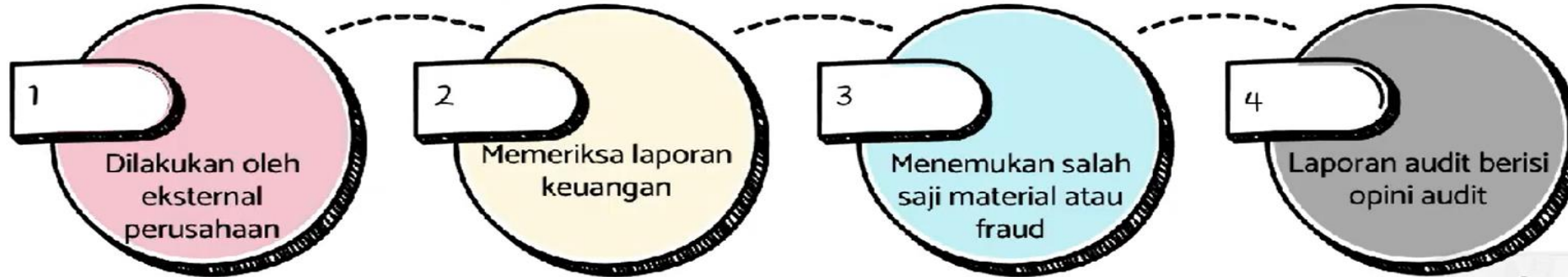
eksternal

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➔ Persediaan

➔ P. Internal

➔ SPI
Persediaan



COSO INTERNAL CONTROL FRAMEWORK

COSO (Committee of Sponsoring Organization) adalah asosiasi profesi di US yang anggotanya terdiri dari AAA (the American Accounting Association), AICPA (the American Institute of Certified Public Accountants), IIA (the Institute of Internal Auditors), IMA (the Institute of Management Accountants), dan FEI (the Financial Executives Institute).

COSO dibentuk untuk mengembangkan konsep pengendalian internal, terutama untuk perusahaan publik, yang jika terjadi salah kelola bisa berdampak luas terhadap masyarakat.

COMPONENTS OF INTERNAL CONTROL

SA 315.A51

FIGURE 10-2

Five Components of Internal Control



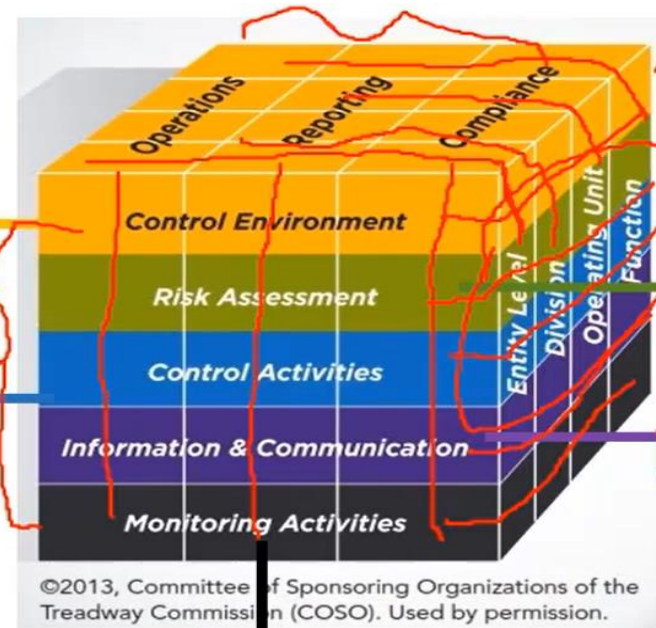
COSO - INTERNAL CONTROL INTEGRATED FRAMEWORK 2013

Control Environment:

1. Komitmen terhadap integritas dan nilai etika
2. Melaksanakan tanggung jawab pengawasan
3. Menetapkan struktur, wewenang dan tanggung jawab
4. Komitmen terhadap kompetensi
5. Mendorong akuntabilitas atas sistem IC

Risk Assessment:

6. Menentukan tujuan
7. Mengidentifikasi dan menganalisis risiko
8. Menilai risiko fraud
9. Mengidentifikasi dan menganalisis perubahan signifikan



Control Activities:

10. Mengembangkan kegiatan pengendalian
11. Mengembangkan kontrol umum atas teknologi
12. Merinci ke dalam kebijakan dan prosedur

Information & Communication:

13. Menggunakan Informasi yang relevan
14. Komunikasi internal yang efektif
15. Komunikasi eksternal yang efektif

Monitoring Activities:

16. Melakukan evaluasi ongoing dan/atau terpisah
17. Mengevaluasi dan mengkomunikasikan defisiensi

TAHNK YOU



ETHICS AND CORPORATE GOVERNANCE

Meeting 12

Subprime Lending Fiasco Mortgage

OLEH:
Dyah Cahyasari, SE, MM.





-
- What is the background of the subprime mortgage case?
 - What ethical issues are there in this case?

What is a subprime mortgage?

Subprime mortgages are:

homeownership loan packages aimed at poor Americans. (people with poor credit ratings – including credit card and motor vehicle credit arrears)

- subprime mortgage is a mortgage for the poor in America.

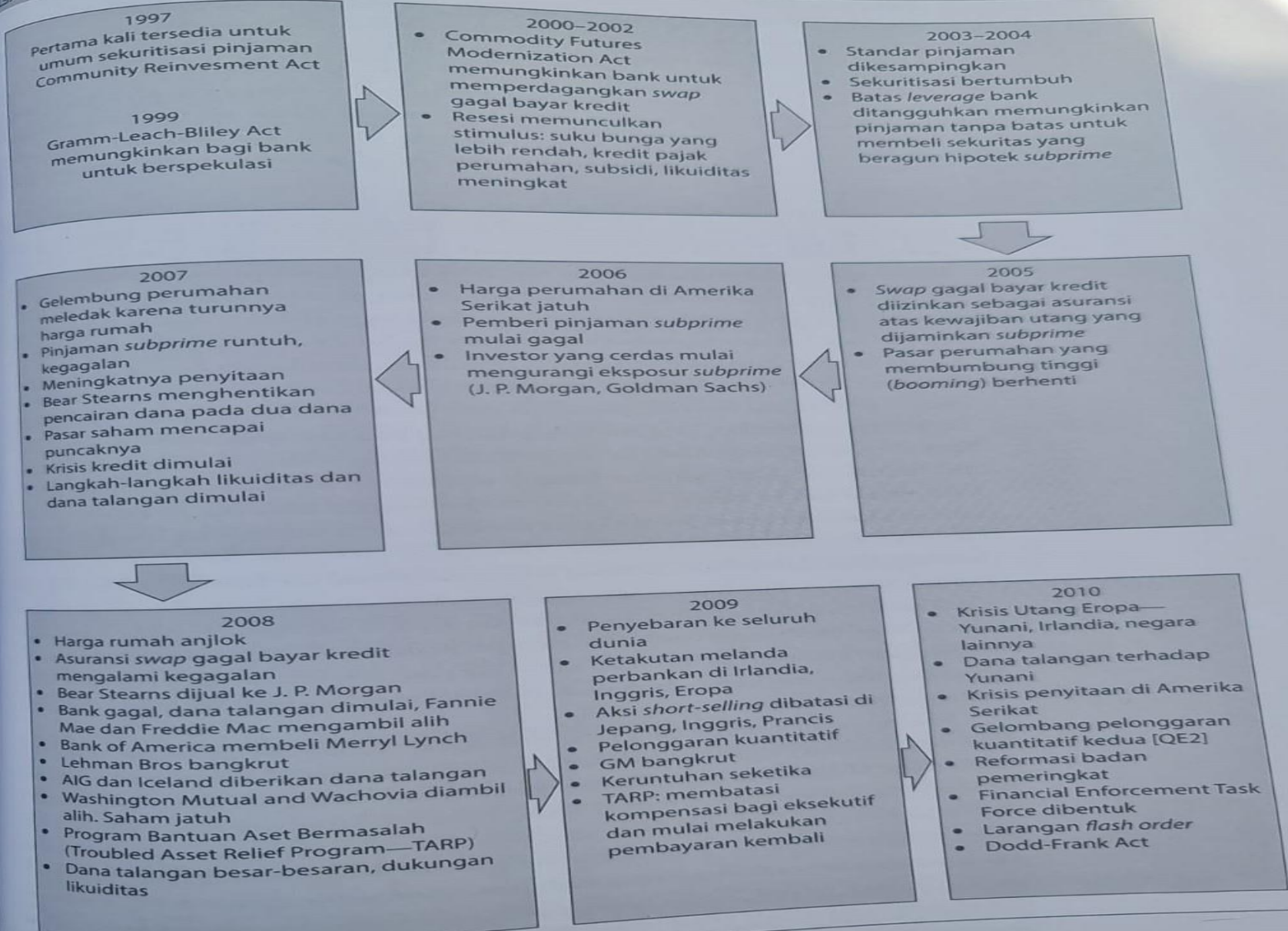
Why do subprime mortgages occur?

there is a law of supply and demand here. Poor people in America like most people, have a dream of owning their own home, while conventional banks, many are afraid to see their credit track record.

On the other hand, mortgage companies see them as potential business opportunities.



GAMBAR 8.2 Kegagalan Pinjaman Subprime—Peristiwa Penting

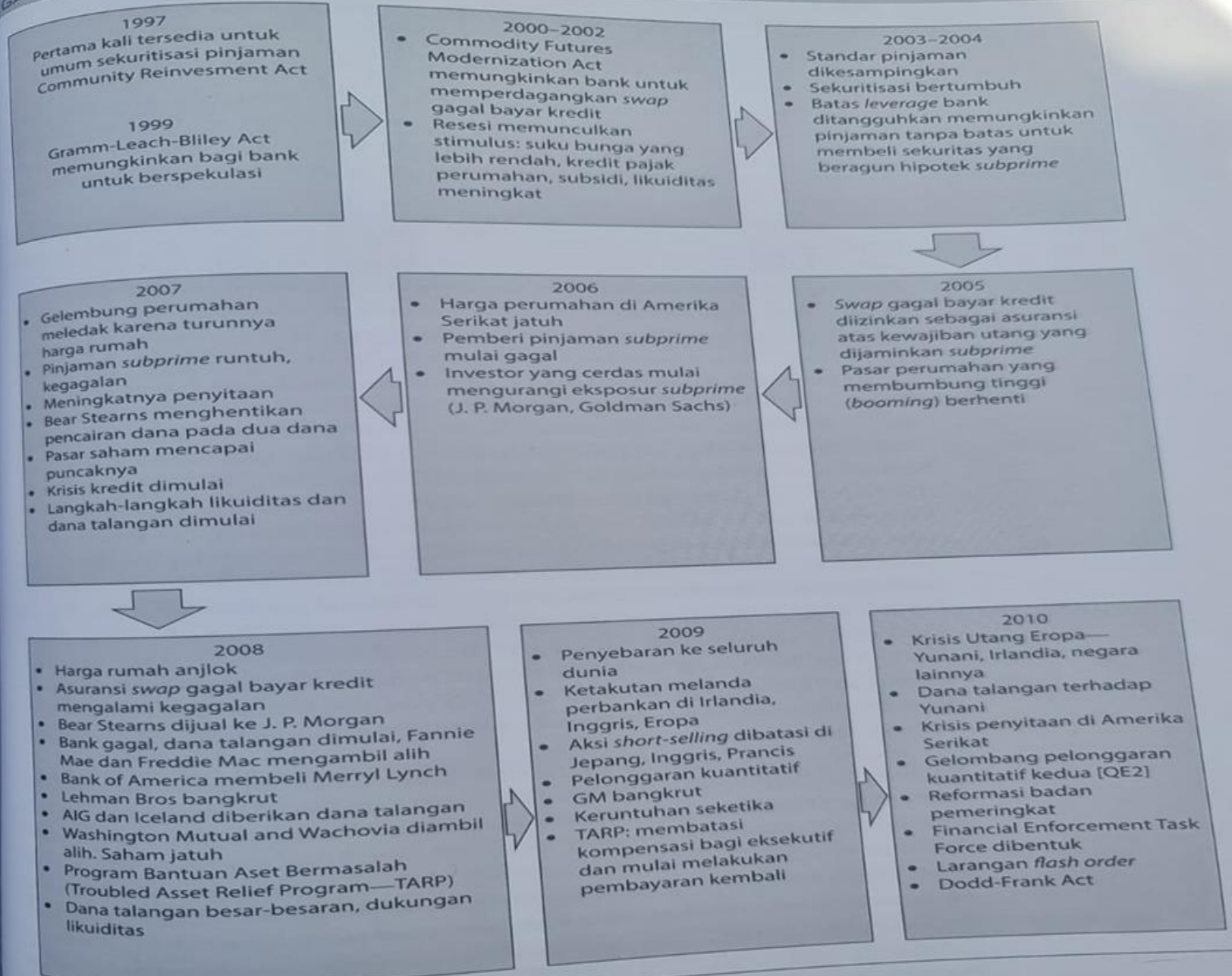


stages

y

Key event

GAMBAR B.2 Kegagalan Pinjaman Subprime—Peristiwa Penting



How do Housing Loan Companies operate?

Perusahaan kredit perumahan, sebagian dananya didapat dari pinjaman dari pihak ketiga dalam jangka waktu pengembalian yang pendek (1-5 tahun). Subprime mortgage sendiri merupakan kredit jangka panjang yang bisa berkisar 10-20 tahun. (financing mismatch).

Perusahaan kredit perumahan juga berbisnis via margin penjualan mortgage backed securities (MBS) atau efek beragun aset (hipotik). MBS merupakan kumpulan kredit yang dijual kepemilikannya kepada investor. Dalam kaitannya dengan MBS yang berasal dari subprime mortgage, investor mendapatkan bukti kepemilikannya dalam bentuk saham yang diback-up oleh properti yang diagunkan.

How do Housing Loan Companies operate?

Karena MBS yang berasal dari subprime mortgage ini cukup berisiko, maka return yang diberikan tinggi. Return didapatkan dari cicilan pembayaran subprime mortgage – yang mana seperti disebutkan sebelumnya adalah orang-orang ‘kurang mampu’ di AS.

MBS memiliki pasar tersendiri. Pembeli, penjual dan mekanisme harga tersendiri. MBS subprime mortgage ini berkarakteristik high risk high return, mengundang minat investor hedge fund dan investment bank

Hedge Fund sendiri terdiri kumpulan dana investor raksasa yang investasinya lintas negara dan cenderung beraksi spekulatif.

How did the subprime mortgage crisis occur?

- koreksi tingkat suku bunga oleh bank sentral
- Mismatch structure financial
- Regulasi yang memperbolehkan bank untuk mengembangkan instrument investasi untuk keuntungan yang lebih baik.
- Harga pertanggungan mencapai 95 – 100% harga object yang ditanggung. Kadang pinjaman pertama 90% - 95% dr harga rumah, namun akan diberikan KPR kedua atas sisanya.
- Tidak ada dokumentasi yang memadai terhadap profil peminjam
- Ninja Loan—> peminjam tidak memiliki pekerjaan

How did the subprime mortgage crisis occur?

Karena debitur subprime mortgage adalah orang-orang dengan pendapatan terbatas, maka kemampuan pembayaran cicilannya juga sangat lemah.

Sehingga saat para debitur tersebut tidak mampu membayar cicilan kreditnya, maka MBS yang berasal dari subprime mortgage pun ambruk.

Nilai jualnya terkoreksi.

Akibatnya, para investor yang menanamkan modalnya di MBS subprime mortgage rugi.

Banyak perusahaan kredit perumahan yang bangkrut, karena tidak ada putaran uang yang terjadi dan diperparah adanya financing mismatch tadi.

Contributing parties

- Federal National Mortgage Assc/FNM – Federal Home Loan Mortgage/ FRE(penjual & pembeli besar pinjaman perumahan)
 - Fannie May & Freddie Mac
 - FNM thn 2004 > US\$ 70 ; 8 Sept 2008 > 73sen
 - FRE thn 2003 > US\$ 55 ; 8 Sept 2008 > 88 sen
 - 2 CEO nya mendapatkan kompensasi pesangon US\$ 7.3 jt & 6.3Jt
 - Dana penyelamatan perusahaan dari anggaran negara

Contributing parties

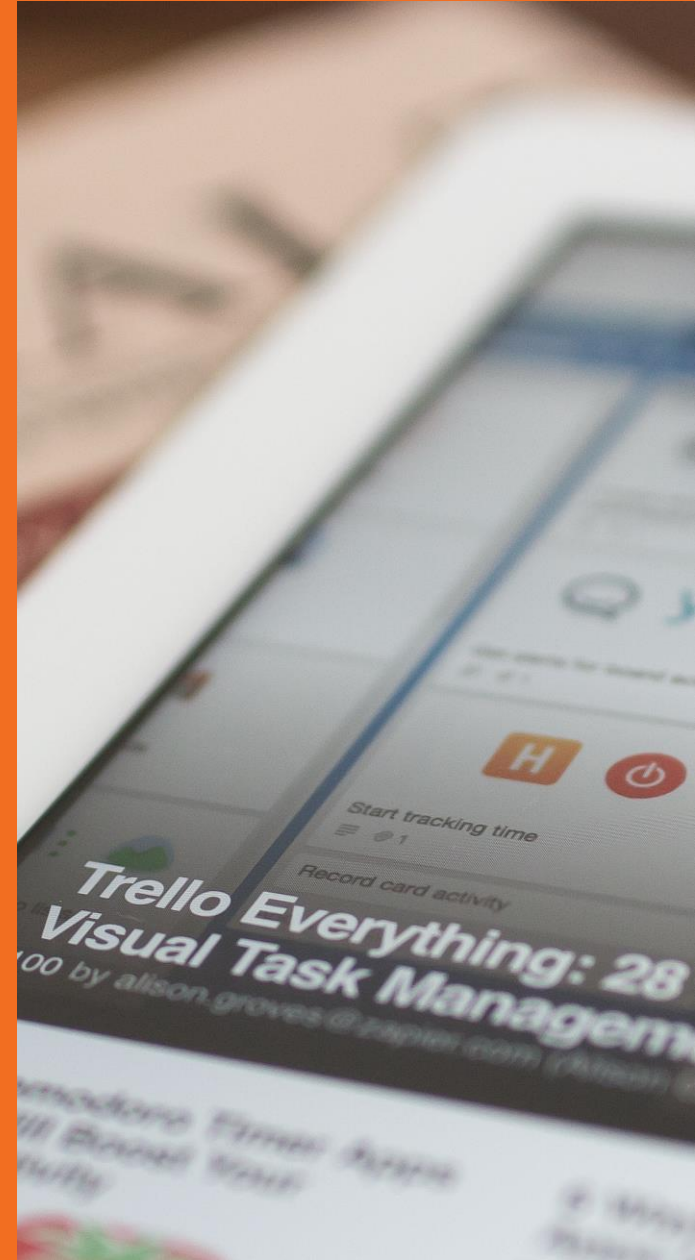
- Perusahaan pemeringkat saham (Moody's corp. Standard & Poor's (S&P), Fitch ratings)
 - memberikan peringkat kredit baik pada kewajiban utang yang dijaminan (CDO) & efek beragun KPR, yang dibeli oleh investor yang percaya. Walaupun sebagian executive/karyawan tahu bahwa peringkat yang dibuat tidak mencakup semua risiko yang ada.

Contributing parties

Regulator

- Lembaga pengawasan Office of the Comptroller of the currency (OCC)
 - ❖ berpihak kepada pemberi pinjaman bukan untuk kepentingan umum.
- Adanya regulasi penyelamatan perusahaan besar yang secara esential telah bangkrut:
 - ❖ Fannie Mae, Freddie Mac, AIG, Merryll Linch

Ethical Issues?



Ethical Issues

- Greed > GONE Theory
- Incompetent
- Dishonest
- Conflict of interest
- Not transparent
- Lack of moral integrity
- Lack of risk management

Ethical Issues

- ❑ Lack of regulation & good decision making
- ❑ Accounting Standards recording in financial statements
- ❑ The most disadvantaged party / the main risk bearer:
 - The profit takers from shares / bonuses, or?
 - Society, taxpayers, workers

Conclusion of ethical behavior

- ❑ Compensation schemes must consider fairness to all parties.
- ❑ Short-term profit taking so that there is no transparent risk disclosure
- ❑ Moral courage- ignored
- ❑ The corporate governance system is not strong enough to withstand self-interest and short-term mindsets.

Conclusion of ethical behavior

- ❑ Actions should be based on realistic expectations and responsible behavior
- ❑ Full risk assessment, due diligence and expected kindness
- ❑ ethical risks, conflicts of interest, consistent oversight, to ensure not only how much profit, but how profit is generated.
- ❑ Decisions vs existing regulations, make sure it is in the public interest, not a short-term focus.
- ❑ Risk management, with fair fundamental assessment

How did the subprime mortgage crisis become a global crisis?

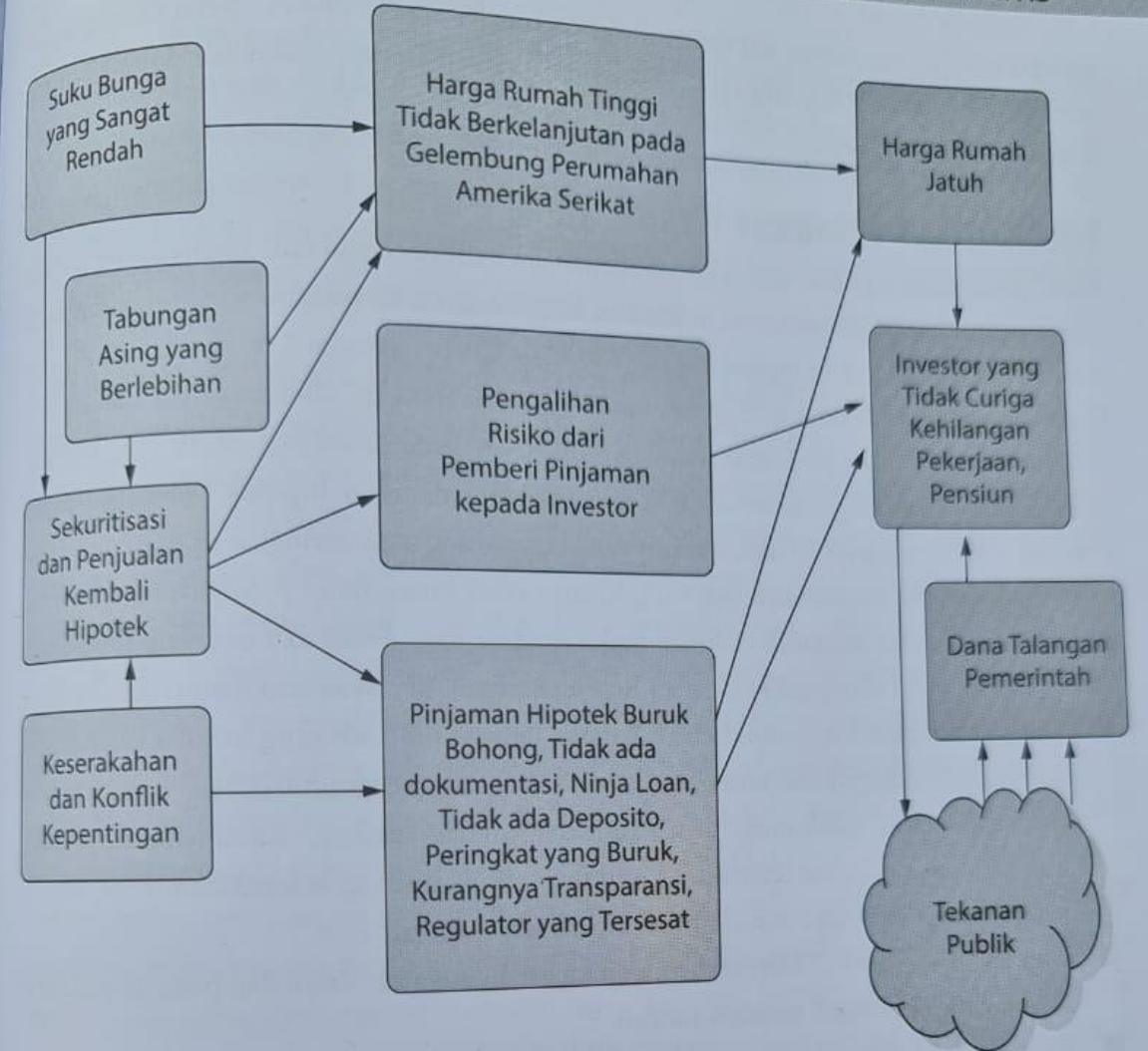
Arus modal yang semakin *borderless*, membuat pasar keuangan dunia menjadi saling terkait dan saling berketergantungan satu sama lain.

Sentimen negatif dan kepanikan dari Wall Street.

Investor-investor global raksasa yang tergabung dalam hedge fund ataupun investment bank menarik dananya dari pasar modal dan mulai memasukkannya ke dalam investasi yang berisiko lebih rendah. Untuk menghindari risiko kerugian yang lebih besar (cut loss).

SUPRIME LOAN FAILURE

GAMBAR 8.3 Kegagalan Pinjaman Subprime—Gelembung Perumahan AS



CASE

Lehman Brothers Repo 105 Manipulation



- Lehman Brothers Holdings In) adalah perusahaan layanan keuangan global, berpartisipasi dalam bisnis investasi perbankan, ekuitas dan berpendapatan tetap penjualan, penelitian dan perdagangan, manajemen investasi, ekuitas swasta, dan perbankan swasta.
- Lehman didirikan di Montgomery, Alabama, Amerika Serikat pada tahun 1850 oleh Henry Lehman, Emanuel Lehman, Mayer Lehman.
- Lehman merupakan agen utama dalam pasar sekuritas Treasury AS. Anak perusahaan utamanya termasuk Lehman Brothers Inc, Neuberger Berman Inc, Aurora Loan Services, Inc, SIB Mortgage Corporation, Lehman Brothers Bank, FSB, Eagle Energy Partners, dan Crossroads Group. Kantor pusat Lehman adalah di di New York City, dengan kantor regional di London dan Tokyo, dan juga kantor cabang pembantu di seluruh dunia.

Pada hari senin tanggal 15 September 2008, Lehman Brother mengumumkan kebangkrutannya dan menyampaikan formulir kebangkrutan ke United States Bankruptcy Court for the Southern District of New York. Dan dinyatakan sebagai kebangkrutan paling besar dalam sejarah Amerika.

There are 2 main causes of Lehman's bankruptcy, namely:

- Krisis Subprime Mortgage
Dengan terjadinya krisis ini, menyebabkan kredit macet. Sehingga Lehman Brother pun tidak bisa membayar kewajibannya kepada pihak lain.
- Tekanan dari Pesaing
JP Morgan Chase & Co dan Citigroup, yang meminta tambahan penjaminan sebesar 21 miliar dollar AS ketika Lehman mulai guncang. Serta pada 11 September 2008 JP Morgan meminta tambahan jaminan 5 miliar dollar AS. Meskipun bersaing, bank investasi saling melakukan pinjam meminjam.

Rekayasa Akuntansi

Dengan bangkrutnya Lehman Brothers, terungkap perekayasaan Laporan Keuangan dimana terjadi pengurangan jumlah kewajiban dengan menggunakan repo 105 dan 108.

Dikarenakan Krisis Subprime Mortgage tersebut repo 105 dan 108 merupakan jalan keluar yang paling menguntungkan bagi Lehman Brothers dibandingkan dengan menjual aset yang harganya telah merosot tajam.

Transaksi Repo yang digunakan Lehman Brothers dilakukan untuk menutupi utang lebih dari \$ 50 Milyar. Hal ini dilakukan untuk menyembunyikan ketergantungannya dari utang sehingga kondisi keuangan Lehman Brothers "terlihat" sehat. Hal ini tidak terlepas dari peran Public Auditor Lehman Brothers sendiri, yaitu KAP Ernst & Young.

Kelalaian Auditor

KAP Ernst & Young dinilai lalai dan melaporkan hasil audit palsu.

Para pejabat /executive Lehman dan Auditor Ernst & Young dinilai sadar dalam melakukan tindakan tersebut, dengan rekayasa akuntansi untuk menutupi hutang 50 Milyar US

Professional ethics

GCG: _____

adanya rangkaian proses & mekanisme yang mengatur/mempengaruhi pengelolaan dan pengendalian antar pemangku kepentingan.

Code of Conduct:

Perusahaan dan auditor /akuntan publik seharusnya bertindak sesuai code of conduct dari perusahaan dan profesi.

CSR:

kewajiban perusahaan memberikan kontribusi yang bermanfaat bagi masyarakat terutama pihak yg berkepentingan (stakeholders)

CASE

Nilai yang Diragukan Mengakibatkan Pengunduran Diri di Goldman Sachs (p 723)

Quiz

1. Seberapa banyak dan bagaimana kepentingan diri sendiri yang tak terkendali berkontribusi pada Krisi pinjaman subprime?
2. Bagaimana peningkatan regulasi meningkatkan pelatihan penegndalian kepentingan diri sendiri dalam pengambilan keputusan?
3. Bagaimna pertimbangan etis meningkatkan kepentingan diri sendiri yang tak terkendali dalam pengambilan keputusan yang etis?
4. Identifikasi dan jelaskan 5 contoh dimana eksekutif atau direktur menghadapi bahaya moral dan tidak dapat menanganinya secara etis.

TAHNK YOU

